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Annual Report

Bureau of Land Management

U.S. DEPARTMENT OF THE INTERIOR

Open Spaces – Special Places

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Foreword

"We do not inherit this land from our ancestors; we borrow it from our children." – Haida Indian saying

THE BUREAU OF LAND MANAGEMENT (BLM) MANAGES MORE FEDERAL LANDS THAN ANY OTHER AGENCY: 264 MILLION ACRES OF PUBLIC LANDS AND THEIR MYRIAD RESOURCES, PLUS AN ADDITIONAL 370 MILLION ACRES OF SUBSURFACE MINERAL ESTATE. MOST OF THESE LANDS ARE LOCATED IN THE WESTERN STATES AND ALASKA.

The Bureau's workforce comprises almost 9,000 employees located at 185 headquarters, center, and field offices. In managing our Nation's vast public land holdings, these BLM employees perform many tasks: resource inventory, land use planning, environmental impact assessment, land surveying, road construction, fish and wildlife habitat restoration, and resource condition monitoring, to name just a few.

Managing open space is a key part of BLM's mission. Open space has been central to the American West's history, and it remains essential to the character of the cultural and physical landscape, as well as the quality of life and lifestyle cherished by Westerners and visitors alike. In a very real sense, the BLM is "America's Open Space agency."

Special places abound on America's public lands. They include millions of acres of open rangelands; wilderness and recreation areas with spectacular scenery and opportunities for solitude; geological formations con-

taining the oil, gas and coal resources needed to sustain our economic well-being; nearly 117,000 miles of fishable streams; high forested slopes; alpine tundra; majestic canyons; and rugged badlands. In today's fast-paced society, every acre of public land is special in some way.

These vast resources – the open spaces and special places – on America's public lands are an asset belonging to all of us. As we in the BLM carry out our complex multiple-use, conservation-and-development mission, we are working hard to ensure the health, productivity, and open space characteristics of all public lands under our stewardship.

We invite you to read over our 1999 Annual Report to see what we have accomplished. Take a moment to reflect on the wealth of resources and opportunities offered by our Nation's public lands . . . and this year, think about taking a moment to visit your public lands!

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BLM's Vision for the Future

- Provide for a wide variety of public land uses without compromising the long-term health and diversity of the land and without sacrificing significant natural, cultural, and historical resource values;
- Understand the arid, semi-arid, arctic, forest, and other ecosystems that the BLM manages and commit to using the best scientific and technical information to make resource management decisions;
- Resolve problems and implement decisions in collaboration with other agencies, states, Tribal governments, and the public;
- Understand the needs of rural and urban publics and provide them with quality service;
- Maintain a skilled and highly professional work force;
- Clearly define and achieve objectives through the efficient management of financial, human, and information resources;
- Efficiently and effectively manage land records and other spatial data; and
- Commit to recovering a fair return for the use of publicly-owned resources and to avoiding the creation of long-term liabilities for the American taxpayers.

Director's Letter

As the Acting Director of the Bureau of Land Management, I am pleased to present this Annual Report of our accomplishments for 1999. All of us in the BLM are aware of the responsibilities that go along with being the principal steward of our Nation's public lands and resources, as well as being mindful of our accountability for sound financial management.

As caretakers for 264 million acres, we accommodate multiple uses of the land: livestock grazing, outdoor recreation, and interpretive activities for cultural and heritage values, to name just a few. We have done our best to exercise wise and effective stewardship for America's vast legacy of public lands, with their wide-open landscapes and wealth of resources.

Protecting open spaces in the Western landscape is an inherent part of our mission; it is essential to virtually every program and project we undertake. We manage and conserve more open space than any other Federal agency, including 5.2 million acres of designated wilderness, the 1.9-million-acre Grand Staircase-Escalante National Monument, and well over 700 Areas of Critical Environmental Concern.

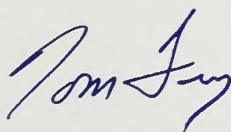
We in the BLM take a "big picture" or landscape management approach that sees the ecological connections between soil, water, vegetation, animals, and people, and that seeks to restore or maintain the health and productivity of entire landscapes. This requires us to transcend political boundaries and work with various partners – individuals, agencies, and private organizations – to do what's right for the land and the people who depend on it.

Two recent examples of this landscape management approach are:

- The Southwest Strategy, under which the Departments of Interior and Agriculture are working with state, county, and Tribal governments to protect environmental, cultural, and economic resources in New Mexico and Arizona.
- The Interior Columbia Basin Ecosystem Management Project, which Interior and Agriculture developed to prevent the kind of resource gridlock that occurred in the Pacific Northwest before implementation of the President's Northwest Forest Plan.

These and other efforts underscore the growing realization that conservation and development are complementary, not contradictory. People need both jobs and healthy, productive lands. Healthy natural resources attract visitors and residents alike – everyone values clean air and water. Having healthy lands and resources is crucial both to long-term economic productivity and to other uses such as wilderness and cultural resource protection.

I hope you find our Annual Report useful in demonstrating how the Bureau of Land Management has responsibly managed its natural, stewardship, and fiscal resources. We are always interested in your input; please take advantage of the comment card in the back of this document to share your thoughts and feelings.



Tom Fry, Acting Director of the Bureau of Land Management



Message from the Chief Financial Officer

Performance, accountability, and results – these key concepts are at the heart of what all of us in the Federal government are striving to achieve. In the Bureau of Land Management, we are committed to achieving results and clearly demonstrating to the American people that we are prudent and effective stewards of all of our resources: the vast public lands and open spaces we manage, as well as the funds entrusted to us to meet our diverse responsibilities.

One key measure of our performance and accountability is our ability to attain unqualified (clean) audit opinions on our financial statements. I am proud to say that, since fiscal year 1995, BLM employees have achieved an unqualified audit opinion each year. I am pleased to report that once again we have achieved this recognition for fiscal year 1999. Our financial performance reflects the importance and priority we place on our stewardship responsibilities and our commitment to sound financial management.

Restoring and maintaining the health, diversity, and productivity of our Nation's public lands is the core of BLM's mission. Successfully accomplishing this requires strong internal business and support service functions. As we enter the information age, we are continually challenged to provide timely and accurate information and quality business services to support our changing program needs. We are also challenged to ensure that the business tools provided to our employees add value and help us get the job done.

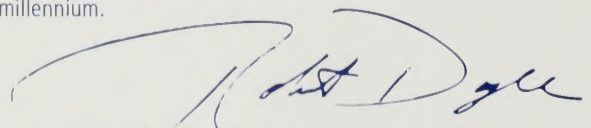
This past year, we made significant progress in further developing our Management Information System, which provides all Bureau employees with easy access to important financial and program performance data. We also implemented a cost management system that, for the first time, provides us with important information on the costs of doing business. This information will enable us to critically examine and assess our work processes to ensure that our limited resources are allocated and deployed in the most efficient manner. In addition, we established an interface between the Interior Department Electronic Acquisition System (IDEAS) and the Federal Financial System to link acquisition and accounting records. These new tools and improved business practices have enabled us to work smarter, satisfy customers, increase efficiency, and obtain the best value for taxpayers' money.

A new section in this year's Annual Report, the Management's Discussion and Analysis, provides a format under which we tie together all of the elements of our performance, accountability, and results strategy. Starting with our mission and organization, we show how specific performance targets and accomplishments are integrated with our financial data to demonstrate exactly what we have accomplished with the dollars we have been given.

A good example of the application of our management tools and information is BLM's Wild Horse and Burro program, where we were able to develop a viable option for achieving desired population levels by critically analyzing the cost of various alternatives. The cost data, coupled with performance data, enabled us to arrive at a solution previously considered not feasible. As we look to the future, we expect that the application of these management tools and use of empirical data will play an increasingly important role in supporting our program and policy decisions.

As the above example shows, we have used the Government Performance and Results Act (GPRA) and financial tools and systems as a springboard to achieve meaningful, on-the-ground results. We are combining GPRA-inspired performance goals with budget and funding practices to achieve a cohesive, comprehensive approach in managing both our agency's resources and the priceless heritage represented by our Nation's vast public lands.

I hope you find this report useful and interesting. We have made significant progress this past year and believe we are well prepared to address the financial and resource management challenges of the new millennium.



Robert Doyle, Chief Financial Officer for the Bureau of Land Management



The Southern Nevada Public Land Management Act

The Southern Nevada Public Land Management Act, enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley (the fastest-growing urban area in the United States). Properties are sold to the highest bidder and cannot be offered for less than their appraised fair market value. A total of 85 percent of the revenues collected are then invested in interest-bearing Treasury securities. These land sale and interest revenues can be used for four specified purposes:

- **Acquisition of environmentally sensitive lands in the State of Nevada, with priority given to lands in Clark County.**
- **Capital improvements at the Lake Mead National Recreation Area, the Desert National Wildlife Refuge, the Red Rock Canyon National Conservation Area, and other areas administered by the BLM in Clark County.**
- **Development of a multispecies habitat conservation plan in Clark County, Nevada.**
- **Development of parks, trails, and natural areas in Clark County.**

The Southern Nevada Public Land Management Act creates a much less cumbersome and time-consuming process for disposing of lands. In the past, some had questioned the appraised value of Federal property being exchanged with developers. Now, with the ability to sell land in an open, competitive process, the Federal government can receive fair market value and generate the greatest return for the taxpayer. And the revenues generated enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

In administering the Act, the BLM is required to coordinate extensively with other Federal agencies both inside and outside the Department of the Interior; with the Nevada Division of State Lands; with Clark County and the cities of Las Vegas, North Las Vegas, and Henderson; and with the general public. This collaborative approach ensures Federal, state, and local coordination on growth issues and helps promote responsible and orderly development in the Las Vegas Valley.

As of the end of fiscal year 1999, BLM's land sales Treasury account had \$1,347,420 invested with \$32,854 in earned interest.



Sandstone cliffs at Red Rock Canyon in Nevada are nationally known among climbers. (BLM photo)

Management's Discussion and Analysis

BLM's Mission and Organizational Structure

BLM'S MISSION AND HISTORY

THE BUREAU OF LAND MANAGEMENT'S MISSION IS TO SUSTAIN THE
HEALTH, DIVERSITY, AND PRODUCTIVITY OF THE NATION'S PUBLIC LANDS
FOR THE USE AND ENJOYMENT OF PRESENT AND FUTURE GENERATIONS.

The Bureau manages 264 million acres of public lands – about one-eighth of the land area of the United States – and approximately 370 million additional acres of subsurface mineral estate (300 million acres underlying Federal surface lands, plus 70 million acres under privately owned lands). This puts us in a unique position to manage and protect our Nation's priceless natural and cultural legacy.

We administer some of the most ecologically and culturally diverse and scientifically important lands in Federal ownership. Among our many varied responsibilities, we are stewards for:

- recreation opportunities on public lands
- commercial activities on public lands
- wildlife habitat
- transportation systems (roads, trails, and bridges)
- paleontological localities and archaeological and historical sites, including museum collections derived from those areas
- wild free-roaming horses and burros
- wilderness and wilderness study areas
- Wild and Scenic Rivers

- rare, vulnerable, and representative habitats, plant communities, and ecosystems
- interpretative activities to meet scientific and educational needs

The BLM came into being in 1946, when the Grazing Service was merged with the General Land Office to form the Bureau of Land Management within the Department of the Interior. When the BLM was initially created, there were over 2,000 unrelated and often conflicting laws for managing the public lands. The Bureau had no unified legislative mandate until Congress enacted the Federal Land Policy and Management Act of 1976 (FLPMA).

In FLPMA, Congress recognized the value of the remaining public lands by declaring that these lands would remain in public ownership. Congress also gave us the term "multiple use" management, defined as "management of the public lands and their various resource values so that they are utilized in the combination that will best meet the present and future needs of the American people."

Increasingly, we have had to address the needs of a growing and changing West. Ten of the twelve western states with significant proportions of BLM-managed lands have among the fastest rates of population growth in the United States.

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Public lands are increasingly viewed from the perspective of the recreational opportunities they offer, their cultural resources, and – in an increasingly urban world – their vast open spaces. The more traditional land uses – grazing, timber production, and energy and mineral extraction – also remain important, especially to the economic and social well-being of many Western communities.

Many diverse partners – the public, various constituent groups, and other agencies and levels of government – have been eager to join with us in collaborative decision making and on-the-ground projects. These cooperative efforts continue to greatly benefit the public lands and everyone who relies on them.

One of our greatest challenges today is to develop more effective land management practices, while becoming more efficient at the same time. We and our partners have already taken significant steps to reduce administrative costs, streamline work processes, focus on customer service, and improve our accountability to the American people.

As we cross the threshold to a new century, we look forward to continuing our service to the public while strengthening our partnerships with all who use or care about the public lands. Working together, we can maintain the legacy of America's public lands – vast open landscapes and abundant natural resources – for present and future generations to use and enjoy.

Performance Goals and Results

IMPLEMENTING THE GOVERNMENT PERFORMANCE AND RESULTS ACT IN THE BLM

IN FISCAL YEAR 1998, WE BEGAN IMPLEMENTING THE GOVERNMENT PERFORMANCE AND RESULTS ACT THROUGHOUT THE BLM. THIS ACT REQUIRES THAT AGENCIES SET PRIORITIES AND GOALS, DETERMINE STRATEGIES FOR REACHING THOSE GOALS, MEASURE PERFORMANCE, AND REPORT ON PROGRESS EACH YEAR. USING BLM'S 1997 STRATEGIC PLAN, WE UTILIZED INPUT FROM OUR FIELD OFFICES TO ESTABLISH LONG-TERM PERFORMANCE TARGETS, ALONG WITH ANNUAL GOALS AND TARGETS THAT ARE DOCUMENTED IN THE BUREAU'S ANNUAL PERFORMANCE PLANS.

The BLM developed and published its first Bureauwide Strategic Plan in 1997, using the procedures set forth in the Government Performance and Results Act. Our Strategic Plan was subsequently refined as part of the process of preparing succeeding years' Annual Performance Plans. The Bureau is currently preparing a revision to its Strategic Plan for 2001-2005.

In February 1999, the BLM sent forward its Annual Performance Plan for Fiscal Year 2000 to the President and Congress, setting forth the goals and performance measures that the agency has used to assess its progress. The Annual Work Plan, a yearly budgetary document, rounds out the Annual Performance Plan by covering operational activities and measuring daily on-the-ground activities using workload measures.

The Bureau publishes its Annual Report, which is required by the Chief Financial Officers Act of 1990, each February following the conclusion of the fiscal year to:

- present its financial statements and notes, plus an overview of the information presented;
- provide a management discussion and analysis of performance goals and results, systems and controls in place to ensure legal compliance, and future effects of current risks and uncertainties; and
- present its "Stewardship Assets" report, in which the BLM describes how it has met its stewardship responsibilities for public lands/resources, natural heritage assets, museum collections, and paleontological and cultural heritage properties.

A more detailed Annual Performance Report for fiscal year 1999, as required by the Government Performance and Results Act, will be released in February 2000 as part of BLM's Annual Performance Plan for Fiscal Year 2001. The narrative presented later in this section is intended to serve as a general overview and discussion

of BLM’s performance goals and results for fiscal year 1999.

The Government Performance and Results Act requires agencies to revise their 5-year strategic plans at least every 3 years. Accordingly, we began the process of revising our Strategic Plan in 1999, simplifying the structure and refining the goals. This revision will be a collective effort by the Bureau and others with whom we collaborate.

Evaluation to assess performance is an important aspect of complying with the Government Performance and Results Act. Responding to this need, the BLM is implementing a new approach to conducting evaluations for its offices and programs.

Based on preventing problems rather than detecting them after the fact, the new system uses two interlocking components: local self-assessment and national validation. Best performance practices will be benchmarked and shared with others, resulting in productivity and efficiency gains over time and ensuring that American taxpayers are receiving the best value for their money.

OVERVIEW OF PERFORMANCE GOALS AND RESULTS

The Bureau has arrayed its mission goals under three overall goal categories:

- Serve current and future publics.
- Restore and maintain the health of the land.
- Improve organizational effectiveness.

The following paragraphs present selected performance information for a representative sampling of BLM’s mission goals and highlight some important performance indicators.

Provide Opportunities for Environmentally Responsible Recreation

Studies indicate that over 90 percent of the population in the United States participates in some form of outdoor recreation. These studies also reveal that the demand for outdoor recreation will continue to expand as our Nation’s population increases. Over the past few years, visitation to BLM public lands and waters has increased steadily, based on visitor use and counts at BLM’s developed recreation sites.

BLM-administered public lands and waters provide visitors with a vast array of recreational opportunities. These include hunting, fishing, camping, hiking, boating, hang gliding, off-highway vehicle driving, mountain biking, birding, and visiting natural and cultural heritage sites.

The BLM’s focus is on providing quality wildland recreation opportunities and adventures that encourage visitors’ freedom while emphasizing the need to act responsibly. The public has the freedom to pursue unstructured recreation opportunities, but people are asked to respect other visitors and local cultures and are encouraged to practice stewardship principles and ethics while using and enjoying public lands and waters.

The table below summarizes significant accomplishments as measured against fiscal year 1999 annual performance goals.

Annual Goal	Target	Actual
Percent of users satisfied with the condition of BLM recreation areas	80%	95%
Percent of users satisfied with recreation information and services accessed electronically	65%	69%
Number of Field Offices managing recreation activities & resources within niche(s)	105 Offices (90%)	111 Offices (95%)
Overall recreation customer satisfaction - National	73%	93%
Recreation fee collections, including pilots	\$7,430,000	\$6,688,000
Recreation State grant funds	\$6,170,000	\$6,271,200

The BLM is a major supporter and sponsor of the Leave No Trace Program, which is one of the Bureau's educational tools. The Leave No Trace principles enhance visitors' awareness and experience on the public lands and waters while encouraging people to minimize adverse environmental impacts. In fiscal year 1999, the Bureau chaired the Annual Federal Interagency Leave No Trace Coordinators Workshop near Tucson, Arizona. In addition, the BLM assisted in developing the initial text and accompanying activities for the two new Leave No Trace principles of "Respect Wildlife" and "Be Considerate of Other Visitors." The BLM also continued to work with numerous Boy Scout groups, high schools, and universities to increase awareness of and participation in the Leave No Trace program.

The Bureau is participating in a Recreation Fee Demonstration program under which public land visitors are charged a fee to use campgrounds, day use areas, and other developed sites. All of the money collected is returned to the site of collection and used to maintain or enhance the fee site itself, directly benefiting those who pay for and use the site. This program expanded from 10 projects in 1997 collecting \$419,000, to 67 fee projects in 1998 collecting \$3.5 million. The program continued to grow in fiscal year 1999, with a total of \$5.2 million being collected from fee demonstration sites.

New fee demonstration sites were added all across the Bureau. Examples include:

- Red Rock Canyon fee site near Las Vegas, Nevada, where the over \$1 million collected is helping to finance ongoing improvements such as a new campground, additional restrooms, and a new desert garden walk at the visitors center.
- numerous fee site improvements in Arizona, including resurfacing of the parking area and entrance road at Hot Well Dunes, landscaping and construction of 10 tent pads and nine fire rings at the Virgin River Basin, and biannual trail maintenance and other erosion protection projects at Lake Havasu.
- the Fillmore Field Office in Utah, which used fee demonstration funds at Yuba Reservoir to clear and surface .3 mile of new road, increase the parking area, and install three new vault toilets.

The BLM's recreation program also participated in a number of National Public Lands Day projects across the Nation to promote environmental awareness and com-

plete needed maintenance and enhancement projects at numerous BLM recreation sites.

At Oregon's Yaquina Head Outstanding Natural Area, BLM staff provided free environmental education programs for over 8,000 school children in fiscal year 1999. The Yaquina Head Lighthouse provided over 86,000 visitors with a glimpse into Oregon's colorful maritime history. The Yaquina Head Interpretive Center used films, interpretive displays, and staff presentations to help over 75,000 visitors learn about the natural and cultural history of the headland. A total of 285,000 visitors were accommodated at Yaquina Head Outstanding Natural Area in fiscal year 1999.

Provide Opportunities for Environmentally Responsible Commercial Activities

The public lands provide myriad opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines. The BLM recognizes the Nation's need for a domestic source of minerals, food, timber, and fiber from the public lands.

In recent years, the public lands have produced about 31 percent of the Nation's coal, 11 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's fertilizer minerals, mineral materials, gold, silver, and other metals. Additionally, the BLM provides technical supervision of mineral development on 56 million acres of Indian lands. This supervision and assistance is enhanced by 13 agreements with federally recognized tribes for the management of tribal minerals.

Timber production and livestock grazing are also important uses of the public lands. Livestock grazing on the public lands is central to the livelihood and culture of many local communities. A significant portion of the cattle and sheep produced in the West graze on public rangeland. Among all the commodities, livestock grazing has the highest indirect effect as dollars recirculate through local communities, resulting in an economic multiplier effect of 4.3. The BLM provided 10.1 million animal unit months (AUMs) of grazing in fiscal year 1999.

Other commercial uses include rights-of-way and other permits and leases. Rights-of-way actions are processed and grants issued to companies so they can

use public lands for roads, pipelines, transmission lines, and communication sites. Many of these provide for the basic infrastructure of society, meeting the needs of local cities and towns. During fiscal year 1999, a total of 5,008 rights-of-way actions were processed, resulting in 2,690 grants being issued.

As the accompanying table shows, the estimated fiscal year (FY) 1999 market value of production occurring on the public lands was \$11.1 billion, 99 percent of which was derived from energy and minerals. The direct and indirect economic impact of all commercial activities amounted to \$24.7 billion. Of the total of \$1.16 billion in annual revenues derived from BLM-managed lands, energy and minerals generated \$1.1 billion from mineral royalties, rents, bonuses, sales, and fees. States share in a large portion of the revenues collected.

Preserve Natural and Cultural Heritage Resources

The public lands contain exceptional geologic formations; rare and vulnerable plant and animal communities; wild free-roaming horse and burro herds; wilderness areas and wild and scenic rivers; and innumerable paleontological, archaeological, and historical sites. These resources are scientifically, ecologically, educationally, and recreationally important, representing a significant part of our Nation's natural and cultural heritage.

BLM-administered public lands encompass an estimated 4 to 4.5 million potential archaeological and historical properties. These sites range from 12,000-year-old mammoth kill sites associated with Paleo-Indian hunters to World War II and Cold War military sites.

Public/Federal Land Commercial Activity	Value FY 1999 (millions \$)	Output Impact FY 1999 (millions \$)	BLM Revenue Generated FY 1999 (millions \$)
Oil and Gas, Geothermal, & Helium	5,854	10,771	692
Coal Leasable Mineral	2,924	7,602	346
Other Leasable and Salable Minerals	1,000	2,600	48
Locatable Minerals	1,204	3,130	25
Grazing	95	410	14
Timber	22	114	22
Realty	18	42	9
Total	11,117	24,669	1,156

Note: Table does not include the economic value of commercial and non-commercial recreation activities on the public lands. Recreation is discussed in the previous section.

Special Notes for 1999 table:

1. Starting this year, value and revenue from geothermal, CO₂, and helium have been added to oil and gas. Previously, geothermal and CO₂ were included with other leasable minerals. Helium, which was reported separately last year, has been combined with oil and gas for the first time.
2. Oil and gas revenue went down significantly due to lower prices. There was a significant drop in the number of active mining claims and corresponding fees collected. A dramatic decrease in timber sales occurred because of pending lawsuits.
3. The BLM does not collect locatable minerals production data. The production value was estimated from the 1995 estimate and adjusted for production patented out of the public lands in subsequent years.

Areas of Critical Environmental Concern (ACECs) are areas where special management attention is needed to protect important historical, cultural, scenic, or natural areas, or to identify areas hazardous to human health and property. In fiscal year 1999, the BLM added one ACEC encompassing 1,800 acres in Wyoming, bringing the cumulative total to 740 ACECs Bureauwide encompassing a total of 13.1 million acres.

The Lake Totodoten Special Management Area was authorized by Congress in 1996 and was withdrawn officially on December 15, 1998 (early fiscal year 1999). This 37,579-acre parcel was created to protect fish, wildlife, and habitat and provides for hunting, fishing, and trapping by four Alaska Native villages in the region.

Day-to-day management activities continue for 136 wilderness areas encompassing over 5.2 million acres, 622 wilderness study areas encompassing almost 17.3 million acres, 34 National Wild and Scenic Rivers comprising almost 1 million acres and over 2,000 river miles, and the Grand Staircase-Escalante National Monument (1.9 million acres).

In fiscal year 1999, the Bureau continued its efforts to protect our Nation's cultural heritage by inventorying 486,666 acres for cultural resources, recording almost 7,200 properties, and issuing or continuing in effect a total of 525 study or management permits (excluding permits for paleontological collecting). To date, the Bureau has inventoried a total of 13.9 million acres and recorded almost 228,000 cultural resource properties.

Of these, 255 are listed on the National Register of Historic Places, with 22 listed as National Historic Landmarks, helping assure that these properties will be protected and preserved for future generations.

Noteworthy cultural heritage accomplishments occurred in the following specific areas:

- The BLM continued data-sharing arrangements with State Historic Preservation Offices. All of the western State Historic Preservation Offices, with assistance from the BLM, are in the process of automating their cultural resources inventories. Within a few years, all of BLM's field office cultural resources staff will have direct electronic access to these inventories from their desktop computers.
- By fiscal year 1999, all BLM States except Utah had completed protocols with their respective State Historic Preservation Officers (SHPOs); conducted training for field managers and cultural resource staff; and begun implementing the national Programmatic Agreement with the Advisory Council on Historic Preservation and the National Conference of State Historic Preservation Officers.
- The Anasazi Heritage Center in southwestern Colorado hosted 31,165 visitors and 229 researchers. At the close of fiscal year 1999, collections were estimated to consist of approximately 3 million specimens. For more detailed information, please refer to the Museum Collections section of the Stewardship Assets report later in this document.
- In fiscal year 1999, the BLM continued the Museum Partnership Program to support the scientific and educational use of museum collections originating from the public lands, providing \$60,000 in funding for seven museum projects. For more detailed information on the specific museums supported, please refer to the Museum Collections section of the Stewardship Assets report.



White Cliffs at the Grand Staircase-Escalante National Monument. (BLM photo)

- To date, the BLM has published 19 *Federal Register* Native American Graves Protection and Repatriation Act (NAGPRA) "Notices of Inventory Completion" and 11 newspaper "Notices of Custody Determination." These notices resulted in identifying 464 individual human remains and about 11,230 objects for potential repatriation to affiliated tribes, enabling the Bureau to honor its obligation to return human remains and funerary objects to Native American tribes. In fiscal year 1999, three additional *Federal Register* NAGPRA Notices were sent to the NAGPRA Office but remain unpublished due to a backlog in that office.
- BLM state and field offices developed or maintained 22 formal agreements in fiscal year 1999 with federally recognized tribes for consultation and the cooperative management of public lands having resources of traditional importance to tribes.
- In fiscal year 1999, the BLM received four of the highly competitive "Save America's Treasures" grants totaling \$386,000. The money was out of a total of \$30 million that was added by Congress to the fiscal year 1999 National Park Service's Historic Preservation Fund. Roughly 30 agencies receiving their funding under the Interior and Related Agencies Appropriation Act were eligible to compete for this pool of money. The money that the BLM is to receive will be matched dollar for dollar by non-Federal partners. These funds will be used to restore the Empire Ranch in Arizona, stabilize and protect Fort Egbert National Historic Landmark in Alaska, study and stabilize several mining sites in the San Juan Mining District in southwest Colorado, and restore and curate collections from southwest Colorado.



The Carrizo Plain in San Luis Obispo County, the last remnant of the once vast San Joaquin Valley grasslands that covered a large expanse of central California, is home to the largest concentration of federally listed plant and animal species in the continental U.S. (BLM photo)

Restore and Maintain the Health of the Land

Working with others to restore and maintain the health of the land is the foundation for everything the BLM does. Livestock grazing, timber harvesting, hunting, fishing, and other benefits from the public lands can be sustained over time only if the lands are healthy.

The following table summarizes significant accomplishments in fiscal year 1999 in several key areas:

Annual Goals	Accomplishments	Units of Measure
Areas assessed against health standards (acres)	5,096,721	acres
Areas assessed against health standards (miles)	6,301	miles
Watershed improvements completed	1,039,051	acres
Riparian improvements completed	1,514	miles
Plant & animal habitat improvement prescriptions applied	1,138	miles
Plant & animal habitat improvement prescriptions applied	6,396,789	acres
Fuels buildup reduced & vegetation improvements implemented	253,771	acres
Acres treated to prevent spread of noxious weeds & undesirable plants	120,496	acres

Restoring and maintaining the health of the public lands is the foremost consideration in every use authorization action the BLM takes. Working with stakeholders, partners, and others, the Bureau is implementing the Healthy Lands Initiative. To date, the BLM has completed assessments on almost 11 percent (17.3 million acres) of the public rangelands. The Bureau uses the results of these assessments to identify needs for corrective actions, which are then included with use authorizations as conditions for continued operation; where necessary, the BLM terminates the use. This process is ongoing.

When the BLM is considering action on any request for authorization to use the public lands, the proposal is carefully reviewed through National Environmental Policy Act processes to determine the need for measures to protect and maintain the health of the land. It is estimated that, during fiscal year 1999, the Bureau completed over 6,000 use authorizations containing specific protection measures. The three major uses covered by these actions were livestock grazing, rights-of-way, and applications for permit to drill.

As noted in the "Future Effects" section of this report, the BLM is pursuing water-quality-based abandoned mine lands cleanup projects under the Administration's Clean Water Action Plan. The Bureau has already completed 10 sites; at the end of fiscal year 1999, work was underway on 120 sites involving 31 watersheds in 12 states.

Under level funding, the BLM was able to prevent significant additional amounts of total dissolved solids (salts) from entering the waters of the Colorado River system. Approximately 3,900 tons of additional salt retention was accomplished in fiscal year 1999 through vegetation manipulation (including prescribed fire), soil stabilization, improved grazing and riparian management, off-road vehicle management, and a variety of maintenance activities, including well plugging in New Mexico. This brings BLM's cumulative salt retention accomplishment through fiscal year 1999 to approximately 43,200 tons per year.

RESEEDING FIRE-DAMAGED LANDS IN NEVADA

The 1999 fire season was one of the worst on record for Nevada and surrounding states. In Nevada itself, where less than 100,000 acres burn in a typical year, 1.6 million acres were blackened by raging wildfires. With the vegetation gone, the soil had nothing to anchor it in place. Blinding dust storms greeted motorists crossing the state on Interstate 80, as millions of tons of topsoil were lost to wind erosion.

To halt this loss of rangeland and habitat resources, the BLM launched a massive reseeding project. Before it was over, this effort would bring together BLM field office representatives from all across Nevada as well as parts of Oregon, Utah, and Idaho.

In the wake of the fires, the Bureau needed to buy *6 million pounds* of seed for 54 different species: crested wheatgrasses, Indian ricegrass, fourwing saltbush, and gooseberryleaf globemallow, to name just a few.

The BLM solicited potential seed vendors, using streamlined acquisition procedures to contact ven-

dors to see how much seed would be offered and to make awards. Once the seed species and quantities were ordered, all of the field office representatives traveled to Denver to figure out how to divide up the seed inventory. Because the vendors had not been able to supply all of the species and quantities requested, some serious horse trading was required. However, everyone worked together beautifully as a team, and the final result was that everyone got pretty close to what they needed to reseed their burned-over lands.

Now the on-the-ground effort to plant that 6 million pounds of seed is underway. Nevada is reseeding 500,000 acres, using tractors/bulldozers and rangeland drills until the ground freezes and then continuing with aerial reseeding until early spring. If the weather cooperates, public rangelands and wildlife habitat will be restored to health and productivity... and Interstate 80 motorists won't have to contend with blinding dust storms as they wend their way across the vast, open, high desert landscapes of northern Nevada.

Improve Land, Resource, and Title Information

The BLM has extensive historical records and maintains current land title information for determining land ownership, condition, rights, and authorized uses on most of the private, public, and tribal lands in the United States. The agency performs cadastral surveys and completes land transactions, producing voluminous amounts of information that supports land management activities for many agencies. Historical data on patented lands, along with current information on the mineral estate, resource conditions, and permits or leases on Federal lands, is updated and provided on a daily basis. In fiscal year 1999, over 5,390 miles were surveyed to determine the boundaries of public as well as tribal lands. A total of 1,409 survey plats were produced and approved, along with thousands of updates to land records and use authorizations.

The BLM responds to thousands of requests for information every year and has improved customer access to and use of this information. Cadastral survey information for 26,372 townships and over 2 million General Land Office (GLO) land title records has been converted to digital form and is now more readily accessible to decision makers as well as the public, thanks to Internet and GIS technologies.

More than 500,000 townships of data have been downloaded into multiple data bases across the country to support applications ranging from wilderness, open space, recreation, and commercial activities (oil and gas, timber, coal, etc.), to tax assessment and 911 emergency dispatch. As livability and urban growth become a major issue in the western United States, BLM's cadastral and land records become a critical foundation for addressing these issues. In fiscal year 1999, the BLM began to integrate its records with the U.S. Forest Service and with states and counties to build a common cadastral/lands information base across the landscape that can serve multiple stakeholders.



Wyoming BLMer calibrates surveying instrument while helping on a field survey to correct an existing township boundary survey. (BLM photo)

The public is performing online Internet searches for information and subsequently downloading digital data or filing requests for historical information directly with BLM offices. As one example, the Bureau's General Land Office Records website (<http://www.glorerecords.blm.gov>), since going online in May 1998, has recorded over 1 million individual visitors who accessed 42 million pages of information and ordered almost 16 million copies of patents contained on the site. The demand for the Bureau's land title records is increasing, as demonstrated by the large number of users accessing BLM's Eastern States GLO website (see table below).

Cadastral survey plats and notes are the first baseline inventory of our natural and cultural resources for most of the country. Major initiatives have been undertaken to produce and maintain this information in partnership with local and state governments, as well as other Federal agencies, to ensure that consistent and accurate information is provided.

Time Frame	Hits	Requests	Visitors
May 01, 1998 - July 31, 1998	7,615,107	2,761,486	196,824
August 01, 1998 - November 02, 1998	5,038,543	2,080,662	176,091
November 03, 1998 - April 30, 1999	14,999,937	5,924,412	345,381
May 01, 1999 - September 30, 1999	14,174,358	5,206,187	334,819
TOTAL	41,827,945	15,972,747	1,053,115

The BLM has taken the lead for the National Integrated Lands Initiative, working collaboratively with the U.S. Forest Service, states, counties, other Federal agencies, and software vendors to identify common business functions, practices, and "core" data requirements. This initiative should allow agencies and organizations to more effectively share information and digital data, and allow the BLM to reduce costs by sharing in the workloads for maintaining and updating data. This collective set of requirements will be reviewed by the Federal Geographic Data Committee's Cadastral Subcommittee and submitted with recommendations to the Open GIS Consortium as National Guidelines. These guidelines will hopefully help the software industry better meet cadastral needs across organizations and landscapes.

Reduce Threats to Public Health, Safety, and Property

In fiscal year 1999, the Bureau of Land Management addressed a wide range of public land situations posing risks to public land users. BLM-owned facilities, which represent about \$5 billion worth of capital improvements, include roads, bridges, dams, administrative sites, campgrounds, and firefighting stations. Maintaining these facilities in a safe condition and operating them in

compliance with all safety, health, and environmental requirements is a key strategic plan goal.

Historic and documented public land uses such as mining and milling operations; oil and gas production; landfills; military operations; and rights-of-way for powerlines, pipelines, and other commercial activities have resulted in hazardous materials contamination from spills, releases, and exposure to the elements. More recently, unlawful activities such as wire burning, illegal dumping of highly toxic wastes from drug production, and intentional dumping of toxic materials have resulted in toxic releases. Collectively, these activities represent substantial potential for soil, water, and air contamination as well as threats to public health, safety, and property.

The BLM works to reduce threats and to protect employees, visitors, and other public land users in many ways. The Bureau evaluates safety concerns, identifies hazards and risks, studies past experiences and responses, trains employees, and educates the public. Regular inspections, needed maintenance, and repairs are completed for BLM-owned facilities, including administrative sites, campgrounds, other recreation sites, buildings, roads, bridges, trails, and dams.



The Burr Trail runs through the Canyons of the Escalante in Utah. (BLM photo)

BLM law enforcement officers enforce Federal laws and regulations relating to public lands and resources. Providing for the orderly and regulated use of public land resources not only serves to reduce threats to public health, safety, and property; it also enhances the preservation of natural and cultural heritage resources. Investigations conducted by law enforcement officers also assist in collecting revenues owed the government as a result of unauthorized uses.

The Bureau accomplished the following in fiscal year 1999:

- Prepared plans to enable the agency to more effectively respond to emergency situations threatening public health, safety, property and associated BLM operations. A total of 138 BLM offices completed their emergency preparedness response plans, 100 percent of those identified in the Annual Performance Plan.
- Completed 17 self-assessments under the Compliance Assessment – Safety, Health, and the Environment (CASHE) program, and identified 912 findings. BLM's CASHE program is recognized by both the Environmental Protection Agency (EPA) and the Department of the Interior as being one of the best environmental auditing programs in the Federal government. A training program for operating BLM's drinking water systems, created in partnership with the EPA, is helping to ensure that the public is provided with safe drinking water at BLM recreation sites.
- Maintained 80 percent of BLM's recreation sites and 86 percent of the Bureau's administrative sites and other buildings in at least fair or good condition, consistent with BLM's performance planning and work plan commitments.
- Maintained 67 percent of the nearly 80,000 miles of roads that make up the BLM road system. Scheduled maintenance was completed on 77 percent of BLM's system of trails. Bridges were inspected, particularly to ensure structural soundness, and work was performed to maintain them in fair or good condition; 92 percent of BLM's bridges fall in

the fair or good category. A total of 451 BLM-owned dams were also maintained as scheduled in the fiscal year 1999 performance plan.

- Removed 193,078 marijuana plants from public lands and seized over 8,370 pounds of processed marijuana being smuggled across public lands, thereby contributing to BLM's efforts to reduce threats to public health, safety, and property.

Maintain a Capable, Diverse Workforce

The fundamental viability of the public lands, and the well-being of those who use and work upon them, depend largely upon the professional skills and personal dedication of the men and women who staff the Bureau's nationwide organization. The BLM recognizes its responsibility for maintaining and protecting America's public domain, and it likewise accepts its concurrent obligation to professionally develop and prepare those who will become its stewards in the years ahead.

Equal opportunity and workforce diversity are key elements in BLM's management of human resources.



Kendall Randolph, a graduate student working at the Wyoming State Office, develops a resource management map that will be used by an interdisciplinary team to conduct a wild horse inventory. (BLM photo)

The Bureau's focus on cooperation with diverse populations and interest groups in managing our Nation's public lands is illustrated by the Bureau's continuing emphasis on outreach and inclusion in decision-making and in employment. In an age when automation and careers in computer applications seem to have captured the imagination of the public, and where frequent movement between jobs has become an accepted practice, the BLM is working hard to educate people on land

use and conservation issues and to promote careers in natural resources management.

Despite the transitional nature of today's skills marketplace, the BLM is using concerted recruitment programs to build an organization that mirrors the developing demographics of America. The following table illustrates BLM's ongoing commitment to maintaining diversity in its workforce.

Employee Category	1997		1998		1999	
	Number of Employees	Percentage of Workforce	Number of Employees	Percentage of Workforce	Number of Employees	Percentage of Workforce
Permanent Employees						
Minority Women	643	7.2	660	7.4	669	7.5
Minority Men	612	6.8	647	7.3	647	7.2
White Women	2,463	27.5	2,473	27.7	2,523	28.2
White Men	5,231	58.5	5,134	57.6	5,104	57.1
Total Workforce	8,949	100.0	8,914	100.0	8,943	100.0
Persons With Disabilities	495	5.6	492	5.5	496	5.6

Systems, Controls, and Legal Compliance

MANAGERIAL, ADMINISTRATIVE, AND FINANCIAL CONTROLS

THE BUREAU OF LAND MANAGEMENT COMPLETED AN ASSESSMENT OF ITS SYSTEMS OF MANAGERIAL, ADMINISTRATIVE, AND FINANCIAL CONTROLS IN NOVEMBER 1999 IN ACCORDANCE WITH THE STANDARDS AND GUIDELINES ESTABLISHED BY THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) AND THE OFFICE OF MANAGEMENT AND BUDGET. THE OBJECTIVES OF THIS ASSESSMENT WERE TO ENSURE THAT:

- **programs achieved intended results;**
- **resources were used consistent with the agency's mission;**
- **resources were protected from waste, fraud, and mismanagement;**
- **laws and regulations were followed; and**
- **reliable and timely information was maintained, reported, and used for decisionmaking.**

In performing its assessment, the BLM relied on the knowledge and experience that management has gained from overseeing the daily operation of Bureau programs and systems for managerial, administrative, and financial control. BLM's assessment was also based on information obtained from management control reviews, Office of Inspector General and General Accounting Office audits, program evaluations and studies, financial statement audits, performance plans and reports, and other information.

The scope of the assessment was broad enough to support the conclusions expressed in BLM's Fiscal Year

1999 Annual Assurance Statement on Management Controls. Based on the results of the assessment, the BLM Director concluded that the Bureau's systems of managerial, administrative, and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved. In addition, BLM's financial system generally conforms to governmentwide principles, standards, and related requirements.

During the fiscal year 1999 review of management controls, the BLM identified one new material weakness: inadequate supervisory accountability, training, and staffing for the agency's safety management program. Corrective actions were taken in fiscal year 1999 to address the other three material weaknesses: range monitoring, wild horse and burro herd management, and the land exchange appraisal process.

To address range monitoring, the Bureau conducted evaluations in Montana, Nevada, New Mexico, and Utah to assess BLM's progress towards meeting a Congressional mandate for the grazing permit renewal process. In addition, the Bureau added two additional range management specialists to focus on developing policy and guidance for rangeland monitoring and evaluations.

To address the administration and oversight of the wild horse and burro herd management program, the Bureau has conducted four internal program reviews since 1997 and chartered a Wild Horse and Burro Advisory Board to provide state-of-the-art science and public input. As noted in the Chief Financial Officer's message in the front of this Annual Report, a recently completed strategic planning process, using cost data provided by BLM's new cost management system, has resulted in a cost-effective strategy; this strategy would involve gathering and removing animals in all age classes and then spending the money needed to care for older animals in sanctuaries.

To address the land exchange process, the Bureau established a National Land Exchange Evaluation and Assistance Team in November 1998; this team has conducted a technical review of all land exchange feasibility reports and decision documents. A National Land Exchange Program Review was completed in California, Colorado, Montana, Oregon/Washington, and Utah. This review included an independent appraiser who evaluated the management of the appraisal program. A joint BLM/Forest Service appraisal training course has been developed and will be offered in December 1999 and during the spring of 2000. Other collaborative efforts related to training and to policy and guidance development continue with the Forest Service.

The Bureau will be addressing the new finding regarding supervisory oversight of the safety management program over the next two years. Proposed corrective actions include involving top management in state and field office safety committees, designating safety managers and officers, providing all required safety training for safety personnel, and allocating the funding needed to effectively manage BLM's safety management program.

BUSINESS AND FINANCIAL SYSTEMS INTEGRATION AND CONTROLS

The Bureau's accounting system, the Federal Financial System (FFS), tracks spending and budget allocations; supports buying goods and paying vendors, including tracking prompt payment requirements; accounts for collections and receivables; and records BLM General Ledger entries.

The system accounts for every type of Federal appropriated and nonappropriated fund that may appear in

BLM's accounting records, including annual, multiyear, and no-year appropriations. Nonappropriated funds can include revolving and working capital funds, budget clearing accounts, and deposit and receipt accounts.

Payments to commercial vendors are generally subject to the Prompt Payment Act, as implemented under OMB Circular-125. The FFS automatically determines if a payment is subject to prompt payment based on the type of vendor and the type of account transaction. If a payment is subject to prompt payment, FFS ensures compliance in terms of scheduling the payment, automatically evaluating discount terms, paying any interest due if the payment is late, and taking into account any payment terms unique to the order or vendor.

The FFS distinguishes numerous collection types: revenue (billed and unbilled), vendor refund, advance received from a customer, and repayment of a travel advance. Collections and disbursements can involve either a cash or noncash transaction.

Strict edits on all input data ensure the validity of data entered into the system. The FFS assures that the General Ledger, the budget control files, and related files are kept in balance at all times. This is achieved by simultaneously updating all relevant files when a transaction is error-free.



The FFS also includes a number of processes to ensure the integrity of the database and to assist in administering the system. (BLM photo)

The FFS also includes a number of processes to ensure the integrity of the database and to assist in administering the system. These routines include system assurance programs, which verify that all journal postings are in balance and that all budget records have been properly posted. To detect any out-of-balance conditions that might occur due to equipment or system software failures, the system assurance programs verify that components of the online system (reference and inquiry files, including the General Ledger and budget files) balance with the historical sequential journal, which is the official audit trail.

The fixed assets subsystem of FFS allows tracking of all personal property items valued at over \$10,000, as well as items designated as "Bureau sensitive" or "Field sensitive." Bureau-sensitive items include personal computers, firearms, surveying equipment, and Global Positioning System (GPS) equipment valued at over \$500. Field-sensitive items include property that a BLM field office might want to track regardless of the acquisition cost, e.g., binoculars. The fixed assets subsystem tracks these items, as well as other property such as motor vehicles.

The fixed assets subsystem reconciles what property items have actually been received and accounted for

versus what items have been paid for. Once a property item has been officially documented as having been received, a custodial officer and property number are assigned, and the item is then inventoried every year. The fixed assets subsystem also records when an item is disposed of through public sale, transfer to another agency, donation to a school or college, etc.

The Bureau was one of the first agencies in Interior to establish an interface between the Interior Department Electronic Acquisition System (IDEAS) and the FFS. With this interface, once an obligation document (i.e., a purchase order, task order, delivery order, contract, or modification) is created in IDEAS, the obligation can be electronically posted to FFS. If the obligation passes successfully to FFS, a confirmation is posted in IDEAS. In addition, IDEAS can pass a funding commitment document to FFS so that money can be set aside pending actual obligation of the funds.

With the level of integration and cross-checking in place between BLM's acquisition, accounting, and property management/accounting systems, the Bureau has fulfilled the requirement to establish sound management controls and ensure legal compliance.

Future Effects of Existing, Currently Known Demands, Risks, Uncertainties, Events, Conditions, and Trends

NATURAL AND HUMAN-CAUSED DISASTERS

OVER THE PAST DECADE, SEVERAL BLM OFFICES HAVE BEEN DAMAGED OR DESTROYED BY FIRE, FLOODING, OR EXPLOSIONS. NUMEROUS OTHER INCIDENTS, SUCH AS NATURAL GAS LEAKAGE, HAVE CAUSED NO ACTUAL DAMAGE BUT HAVE SERVED AS AN IMPORTANT REMINDER THAT DISASTERS CAN STRIKE ANYWHERE AT ANY TIME.

BLM offices in the western states and Alaska, as well as back East, are vulnerable to floods, earthquakes, severe winter storms, tornadoes, and lightning, as well as human caused events such as fire, terrorism, sabotage, roof leakage, electrical failure, or other events. Recognizing these threats and their potential to disrupt government operations and services provided to the public, the Department of the Interior has directed all of its bureaus to prepare Continuity of Operations Plans that spell out specific disaster responses.

Continuity of Operations Plans typically:

- designate alternate work sites if an office's staff and functions need to be relocated;
- specify procedures for a crisis management team and emergency operations center;
- detail responses, from pre-incident planning/preparation to reestablishment of normal operations; and
- list training and employee orientation procedures, including the need for regular simulated plan exercises to be sure everything works as anticipated.

Plans usually include detailed checklists, key employees' home telephone numbers, and specific steps to be followed under a variety of scenarios.

Possible Future Effects: Possible future effects of natural and human-caused disasters run the gamut from minor damage or disruption, on the one hand, to large-scale catastrophes resulting in extensive employee injuries and destruction of facilities and property, on the other. BLM's Employee Emergency Action and Fire Prevention Plans and Continuity of Operations Plans are designed to save lives, prevent damage, and minimize adverse consequences. However, no amount of planning and preparation can totally prevent disasters from striking.

BLM's National Business Center developed a Continuity of Operations Plan in fiscal year 1999 to safeguard the Bureau's financial, acquisition, contracting, and property management systems/functions. Scenarios range from relocating within the same Federal office building for a minor incident, to relocating all services and operations on a long term basis if needed; Y2K issues are also addressed. Both automated and manual backups are addressed in detail, as are procedures for recovering damaged paper records and computer hard drives using local records recovery contractors in the Denver area. It

is anticipated that essential services would be up and running within 1 to 3 days, given the availability of relocation sites in Denver and the ability of many employees to continue working with FFS and other systems using their home computers.

CRIME AND UNAUTHORIZED USE

The remote nature of many of our public lands, combined with the rapid growth of urban areas in the West, has resulted in a moderate level of criminal activity on BLM-administered public lands. As one example, tens of thousands of marijuana plants are cultivated on public lands each year and illegal drug laboratories are set up that produce hazardous wastes.

The designation of additional special management areas (wilderness areas, areas of critical environmental concern, etc.) results in a greater degree of regulated use and restrictions. However, there are still some public land users who deliberately violate these restrictions and cause impacts to lands and resources.

The BLM issues permits for many commercial uses of public lands. However, numerous individuals use or take resources on the public lands without obtaining the required authorizations. This bypasses the normal environmental analysis process and leads to adverse impacts that would otherwise be avoided by prohibiting certain uses or attaching stipulations to protect natural and cultural resources.

Possible Future Effects: Crime and unauthorized use will probably continue to be a problem on the public lands, given the huge acreages involved and the impossibility of keeping track of every activity occurring across the Bureau's 264 million acres. Unauthorized use will continue to result in the loss of the resources taken, as well as costing the BLM significant money to rehabilitate and restore public lands and resources to former levels of health and productivity. Perhaps the most dramatic example is the millions of dollars in lost resources from human-caused fires, as well as the funds expended for fire suppression efforts.

DEFERRED MAINTENANCE

The Bureau of Land Management is responsible for maintaining 3,355 buildings, 662 administrative sites, 1,847 recreation sites, 79,247 miles of roads, 811 bridges, 13,836 miles of trails, and 806 dams. These assets permit the enjoyment and use of the public lands for recre-

ation, revenue generation, and other purposes. There is, however, a significant amount of deferred maintenance resulting from a lack of sufficient funding to conduct scheduled repairs and preventative maintenance.

The BLM tracks infrastructure assets through its Facility Inventory Maintenance Management System (FIMMS). The cost of correcting deferred maintenance is estimated based on condition assessment surveys. Assets subject to deferred maintenance include roads and trails, recreation sites and buildings, administrative sites and buildings, and dams, bridges, and culverts.

BLM personnel perform condition assessment surveys on a cyclical basis by category and update FIMMS with the current information. In fiscal year 1999, BLM performed condition assessment surveys for administrative sites and buildings, all dams considered to be in a high or significant hazard category or large/intermediate in size, and other assets if the normal cycle called for it (e.g., all bridges every 2 years, all dams every 3 years, etc.).

FIMMS was originally designed to be an inventory tool and to support and justify BLM's appropriation request; accordingly, cost estimates entered in previous years were for engineering use and budget formulation, not financial reporting purposes. During fiscal year 1998, the BLM performed a significant number of condition assessments to enhance the data integrity in FIMMS by having more current data supported by written documentation. As a result, the data was improved, but the work needed to fully document and support BLM's total deferred maintenance funding requirements will take several years.

FIMMS contains a dollar estimate of \$275 million for deferred maintenance needs. However, there are conditions that can result in either overstatements or understatement of costs, so it is impossible to estimate a precise figure with any assurance.

The BLM is taking steps to improve the integrity of the data in FIMMS. The BLM Protection and Response Group, which led the effort in fiscal year 1998 to improve the data in FIMMS, has developed a long-term plan to address the system needs of FIMMS, to assure consistent policies and procedures are in place, and to develop and record fully supported, auditable deferred maintenance data.

As of September 30, 1999, the BLM estimated that the total amount of deferred maintenance could be within the range of \$100 million to \$500 million.

Possible Future Effects: If deferred maintenance requirements were not addressed over a period of time, i.e., if a lack of maintenance funding did not allow the BLM to protect its capital investments, this could ultimately result in the deterioration or loss of facilities on public lands. This, in turn, could result in resource damage; for example, not maintaining a hiking trail on steep terrain could result in gullying, soil erosion, and vegetation loss. In some instances, a critical health and safety problem could result, affecting both BLM employees and the general public.

CONTINGENT LIABILITIES: JUDGEMENTS AND CLAIMS

The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits involve a variety of issues, including lost revenues when timber contracts were suspended because of environmental issues, injuries or death that occurred on BLM-managed land or roads, issues regarding takings and suspension of mining claims, and other issues. The resultant outcomes will not materially affect BLM's future financial condition. The U.S. Treasury's judgment fund will likely bear many of the costs incurred to pay judgements or settlements.

Possible Future Effects: In the opinion of BLM management and legal counsel, a reasonable estimate of the potential outcome or liability of these claims cannot be made.

CONTINGENT LIABILITIES: ENVIRONMENTAL CLEANUP

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act, and the Resource Conservation and Recovery Act require Federal agencies to report sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including Federal agencies, to clean up releases of hazardous substances and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and airports. Significant portions of the costs of cleanup will be incurred by, or recovered from, responsible parties.

The BLM had 20 small emergency response actions in progress as of September 30, 1999, that will require future funding. This type of action is usually mitigated using only a preliminary engineering study and, generally, no viable responsible party is found, which results in BLM bearing the expense. Future funding required as of September 30, 1999, was estimated to be \$623,000. As of September 30, 1998, the estimated future funding for small sites was \$1,126,000 to \$1,156,000.

Larger sites require one or more studies to determine the scope of the contamination and the cleanup strategy and techniques. Cleanup costs cannot be estimated until these studies are complete. When the studies are complete, several cleanup options are generally suggested with the approximate range of cost of each, and BLM management determines the most appropriate course of action.

For these larger sites, commensurately greater efforts are made to identify and locate potentially responsible parties who can be held liable for the cost of studies and cleanup. Litigation or enforcement is required to obtain payment or cleanup from potentially responsible parties. As of September 30, 1999, approximately 61 studies were underway or were planned, with future studies' costs estimated to be \$13,620,000. The BLM will probably pay \$2,152,000 of that total, with other responsible parties paying the remainder. As of September 30, 1998, the BLM had studies underway or planned with estimated future costs of \$4,586,000 to \$4,836,000, of which the BLM expected to pay approximately \$1,426,000 to \$1,676,000.

Studies have been completed at 44 sites, and as of September 30, 1999, future cleanup costs were estimated at \$32,974,000, with the BLM expecting to pay \$9,023,000 of that total. As of September 30, 1998, studies had been completed for 41 sites, with an estimated cleanup cost of \$26,586,000, of which BLM expected to pay \$10,929,000.

In addition to the above, the BLM is aware of 174 sites where no work has been done at all and where the Bureau has insufficient information to make any estimates at all regarding the actions necessary to mitigate the site or the likely costs.

Possible Future Effects: Undetected or unmitigated releases of hazardous substances on public lands could result in resource damage (soil or water contamination, vegetation loss, wildlife habitat destruction, etc.). Damage to human life, health, and property is also

possible, especially in the rapidly growing urban interface areas of the West and in the more heavily used recreation areas, although the larger areas of rural, undeveloped tracts of public lands tend to minimize the odds of impacts to people. The Bureau is working aggressively to identify and clean up sites that would pose a danger to human beings or natural resources.

CONTINGENT LIABILITIES: ABANDONED MINE LANDS

During the mid-1990s, the BLM, along with state government agencies, conducted a directed inventory to identify the most serious abandoned mine sites. Fortunately, because most BLM employees are located in the field, they were able to identify the most serious sites based on their own knowledge of local information. Health and safety hazards and environmental degradation measures were recorded for each site. These 8,000 records are now part of the Abandoned Mine Land Inventory System, a database maintained jointly by the BLM and its sister agency, the Office of Surface Mining.

Cleanup costs are estimated as these sites are prioritized for funding. Between fiscal year 1997 and fiscal year 1999, the BLM was appropriated \$14 million for water-quality-based abandoned mine lands cleanup projects under the Administration's Clean Water Action Plan. Under this plan, States identify the polluted watersheds they want to clean up and determine which ones are being affected by pollution stemming from abandoned mine sites. The BLM and other government and private landowners then leverage their funds to clean up all sites affecting the watershed. These projects are typically multiyear efforts. To date, the Bureau has completed 10 sites and, at the end of fiscal year

1999, had work underway on 120 sites in 31 watersheds in 12 states.

Possible Future Effects: Given the large number of abandoned mine sites estimated to exist on BLM-administered lands, there is a significant potential for serious injuries or death for people who wander across these sites or who deliberately set out to explore old mine tunnels and buildings. The BLM faces exposure to lawsuits or claims for damages resulting from injury or death at these sites. As population sprawl continues in the West, and as more visitors come to the public lands for recreation and to experience open space, more people can be expected to come into contact with what once were rather remote abandoned mine sites. We have no basis for estimating the future financial impact of this situation.

The BLM continues its abatement efforts and has taken significant actions to warn the public about the dangers abandoned mines can pose. In fiscal year 1999, the BLM distributed 50,000 copies of an abandoned mine lands safety brochure and developed a traveling safety exhibit. The Bureau also became an active participant in the Mine Hazard Awareness Campaign (initiated by the Mine Safety and Health Administration, U.S. Department of Labor), which is an ambitious plan to alert school-age children, their parents, and outdoor enthusiasts to the dangers of playing on active and abandoned mine property. In addition, the BLM has co-sponsored a video presentation on abandoned mine lands safety issues with the State of Utah. Finally, the BLM maintains an abandoned mine lands web page, much of which is devoted to warning the public about the dangers that abandoned mines can pose (www.blm.gov/narsc/aml/amlmenu2.htm).

Discussion and Analysis of the Financial Statements

THIS ANNUAL REPORT PRESENTS BLM'S FINANCIAL STATEMENTS. THERE ARE FOUR BASIC OBJECTIVES FOR FINANCIAL REPORTING IN THE FEDERAL GOVERNMENT:

- **Budgetary integrity (accounting for resources obtained and resources spent),**
 - **Operating performance (how much programs cost and the results achieved for the dollars spent),**
 - **The government's stewardship over governmental assets such as land and heritage assets (improvement or deterioration in these assets over the reporting period), and**
 - **Systems and controls (the presence of cost-effective systems and controls to adequately safeguard assets).**
- To meet these reporting objectives, the Bureau of Land Management is presenting the following financial reports in this Annual Report:
- **Statement of Budgetary Resources and the Statement of Financing:** The Statement of Budgetary Resources shows the budgetary resources made available through appropriations and other sources, obligations incurred against those resources, and the dollar amount of cash outlays. The Statement of Financing explains and reconciles the relationship of budgetary obligations to the net cost of operations.
 - **Supplementary Stewardship Report:** Displays the nature and condition (not dollar values) of stewardship assets. Stewardship assets are property entrusted to or owned by the Federal government for the long-term benefit of the Nation (such as public land). The government is charged with safeguarding and maintaining these assets. Valuation would be extremely difficult in most cases. Expenditures for stewardship assets are included as part of net cost on the Statement of Net Cost.

- **Statement of Financial Position:** Reports on the operating assets and liabilities related to the delivery of goods and services. This statement displays the dollar value of unspent funds, assets (such as accounts receivable, inventory, investments, and property, plant and equipment), and liabilities (such as accounts payable and various accrued liabilities).
- **Statement of Net Cost and the Statement of Changes in Net Position:** These two statements report the costs of providing government goods, services, and benefits, and provide information on the changes in financial position from one year to the next. They contain the total costs of operations, revenues generated from operations, and appropriations (dollars) used to fund the net cost of operations.

- **Supplementary Report on Deferred Maintenance:** Displays the estimated dollar value of maintenance that was not performed when scheduled, and that has been delayed to a future period, for general property, plant, and equipment and for stewardship assets. Deferred maintenance includes preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.

We believe the statements are a fair and accurate presentation of our financial position, net cost of operations, changes in net position, and budgetary resources, as well as details regarding financing. This is reflected in the unqualified (clean) audit opinion rendered

on BLM's financial statements by the independent auditors. Sound financial management is a top priority for the BLM at all levels of the organization.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared pursuant to the requirements of the Chief Financial Officers Act of 1990. While the statements have been prepared from the BLM's books and records in accordance with the guidance provided by the Office of Management and Budget, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

The statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without enactment of an appropriation, and that payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

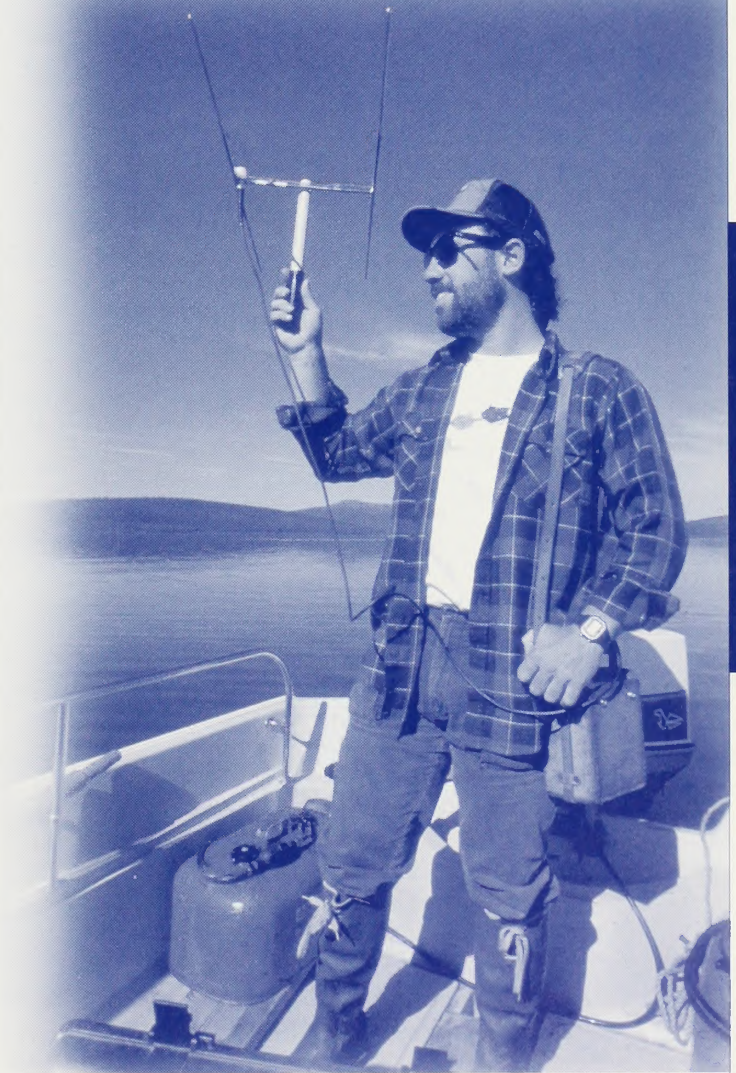
SIGNIFICANT FINANCIAL STATEMENT ISSUES

The BLM was involved in financial transactions during the year that resulted in significant increases in various line items on the financial statements:

- The BLM received nearly \$109 million in bonus bids and first-year rentals from the National Petroleum Reserve-Alaska (NPR-A) Oil and Gas Sale 991. As provided in the Department of the Interior and Related Agencies Appropriation Act of 1981 (94 Stat. 2964-2965), these collections are to be distributed with 50 percent going to the State of Alaska and 50 percent going to the United States Treasury. Nearly \$28 million of the \$109 million is being held in a special suspense account for leases in the Kuukpiik Selection Area; this area was set aside for the Kuukpiik Village Corporation and the Arctic Slope Regional Corporation to select their entitlement lands under the Alaska Native Claims Settlement Act, as amended (85 Stat. 688). This \$28 million could be tied up in escrow for many years

since the Kuukpiik Corporation has no legal deadline for identifying their selections to the BLM. As of September 30, 1999, the BLM was holding approximately \$81 million, which was subsequently distributed to the State of Alaska and the United States Treasury in January 2000.

- Title V - Priority Land Acquisitions, Land Exchanges, and Maintenance of Public Law 105-83, dated November 14, 1997 (111 Stat. 1610), provided over \$310 million in funding to the BLM for land acquisitions, land exchanges, and critical maintenance work. These funds are available to the BLM for obligation through FY 2001. A total of \$260 million was



Tracking bald eagle nesting behavior on Gulkana Wild and Scenic River, Glenallen District, Alaska (photo by Edward Bovy).

authorized to acquire interests to protect and preserve the Headwaters Forest, with an additional \$10 million authorized for a direct payment to Humboldt County to help offset lost tax revenues and cover anticipated increases in public health and safety costs incurred by the county. Another \$10 million was authorized for backlogged maintenance work. Several specific projects totaling over \$40 million were also authorized and funded by Title V. During FY 1999, over \$278 million of these funds were expended.

- The BLM executed a number of Federal Land Policy and Management Act (FLPMA) Section 206 land exchanges during FY 1998 and FY 1999. Many of these were assembled land exchanges as authorized under the Federal Land Exchange Facilitation Act (FLEFA). As a result of the nonsimultaneous closings in these assembled land exchanges, escrow accounts were used. For FY 1999, the BLM has captured the value of these escrow accounts in the Statement of Financial Position as Funds Held in Escrow and has restated the FY 1998 statement to include comparable values.

MANAGERIAL COST ACCOUNTING

Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, requires agencies to report the full cost of programs, activities, and outputs. The standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

The BLM has developed a new cost management system to accumulate cost data for effective management use and to assign costs to outputs. During fiscal year 1999, the BLM completed a Bureauwide analysis of all programs, made substantive changes to systems, and completed extensive employee training to fully implement a new cost management system effective October 1, 1999. The Bureau's responsibility segments were redefined to more closely reflect the Bureau's GPRA performance goals. The responsibility segments for fiscal year 1999 have been defined as follows:

- **Preserve Natural and Cultural Heritage** - The BLM will preserve and protect natural, historical, landscape, and cultural resource values for current and future generations.
- **Understand the Condition of the Public Lands** - The BLM will comprehensively assess and report the condition of the lands it manages and ensure the adequacy of land use plans.
- **Restore At-Risk Systems and Maintain Functioning Systems** - The BLM will implement strategies to restore priority watersheds and resources to functioning condition.
- **Provide Opportunities for Environmentally Responsible Recreation** - The BLM will provide the public with diverse opportunities to recreate on the public lands while maintaining its lands and facilities in good environmental condition.
- **Provide Opportunities for Environmentally Responsible Commercial Activities** - The BLM will provide commercial opportunities for use of the public lands while maintaining or improving environmental conditions.
- **Reduce Threats to Public Health, Safety, and Property** - The BLM will ensure that the public lands and facilities are safe for the public and for employees.
- **Improve Land, Resource, and Title Information** - The BLM will provide the public with improved information about the land, its resources, and land records.
- **Provide Economic and Technical Assistance** - The BLM will meet trust responsibilities while providing economic and other assistance to federally recognized Tribes.

Direct costs incurred in each of these activities are reported in the appropriate responsibility segment. Administrative costs and various indirect costs are allocated to the responsibility segments in a manner appropriate for each type of cost.

DEFERRED MAINTENANCE

For fiscal year 1998, information on deferred maintenance was presented as a note to the financial statements as required by Statement of Federal Financial

Accounting Standard (SFFAS) No. 6 but was not subject to audit based on guidance from the Office of Management and Budget (OMB). It was OMB's conclusion last year that deferred maintenance disclosure was not necessary for fair presentation of the financial statements and that the required footnote could be labeled "unaudited" without resulting in an opinion qualification.

For the fiscal year 1999 reporting cycle, Statement of Recommended Accounting Standard (SRAS) No. 14 becomes effective. SRAS No. 14 changes the status of deferred maintenance information, as required by SFFAS

No. 6, to direct that deferred maintenance information be included as Required Supplemental Information and subject to the same audit standards that currently exist for Required Supplemental Information.

The total funding needed to address all of the Bureau's deferred maintenance is difficult to estimate with a reliable degree of accuracy because of a number of factors; please refer to the supplementary information presented in the Deferred Maintenance section of this Annual Report.



The Jack Wade Dredge, located in the heart of Fortymile gold country near the Canadian border, offers a silent but picturesque reminder of Alaska's historic gold rushes. Active mining operations continue nearby. Alaska is currently in the midst of a multiyear celebration of the 1998 centennial of the Klondike gold rush and other related gold rushes.

Financial Statements

*Bureau of Land Management
Consolidated Comparative Statements of Financial Position
September 30, 1999 and 1998
(dollars in thousands)*

	1999	1998
Assets:		
Entity:		
Intragovernmental:		
Fund Balances with Treasury (Note 2)	\$ 503,150	\$ 444,817
Investment in U.S. Treasury Securities (Note 3)	1,347	
Accounts Receivable (Note 4)	14,251	13,185
Total Intragovernmental	518,748	458,002
Accounts Receivable, Net (Note 4)	8,172	5,407
Travel Advances	146	197
Cash in Imprest Funds	42	148
Funds Held in Escrow	4,325	6,359
Inventory, Net (Note 5)	2,795	2,301
Gas and Storage Rights, Net (Note 5)	1,075	1,076
Stockpile Materials (Note 5)	360,485	363,549
Property and Equipment, Net (Note 6)	231,282	237,110
Total Entity	<u>1,127,070</u>	<u>1,074,149</u>
Non-Entity:		
Intragovernmental:		
Fund Balances with Treasury (Note 2)	260,811	124,581
Accounts Receivable, Net (Note 4)	1,645	3,195
Unmatured Timber Sales Contracts (Note 7)	66,277	102,612
Total Non-Entity	<u>328,733</u>	<u>230,388</u>
Total Assets (Note 8)	<u>\$ 1,455,803</u>	<u>\$ 1,304,537</u>

The accompanying notes are an integral part of these statements.

Liabilities and Net Position:**Liabilities:**

Liabilities Covered by Budgetary Resources:

Intragovernmental:

Accounts Payable	\$ 8,279	\$ 4,078
Undistributed Collections (Note 9)	1,212	
Deferred Credits (Note 10)	39,089	
Debt to Treasury (Note 11)	<u>1,339,204</u>	<u>1,349,204</u>
Total Intragovernmental	<u>1,387,784</u>	<u>1,353,282</u>
Accounts Payable	28,035	16,895
Accrued Payroll and Benefits (Note 12)	34,703	30,312
Undistributed Collections (Note 9)	209,947	103,975
Deposit Funds (Note 13)	54,564	28,920
Deferred Credits (Note 10)	68,398	103,896
Other Accrued Liabilities	374	887
Total Liabilities Covered by Budgetary Resources	<u>1,783,805</u>	<u>1,638,167</u>

Liabilities Not Covered by Budgetary Resources:

Intragovernmental:

Workers' and Unemployment Compensation Payable (Note 14)	7,462	6,838
Accrued Annual Leave (Note 15)	42,825	44,586
Accrued Contingent Liabilities (Note 16)	13,124	13,281
Actuarial Liabilities (Note 17)	52,017	51,791
Total Liabilities Not Covered by Budgetary Resources	<u>115,428</u>	<u>116,496</u>

Contingent Liabilities (Note 16)

Total Liabilities	<u>1,899,233</u>	<u>1,754,663</u>
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Net Position:

Unexpended Appropriations (Note 18)	348,561	355,478
Cumulative Results of Operations	<u>(791,991)</u>	<u>(805,604)</u>
Net Position	<u>(443,430)</u>	<u>(450,126)</u>
Total Liabilities and Net Position	<u>\$ 1,455,803</u>	<u>\$ 1,304,537</u>

Bureau of Land Management
Consolidated Comparative Statements of Net Cost of Operations and
Changes in Net Position for the Fiscal Years Ended
September 30, 1999 and 1998
(dollars in thousands)

	1999	1998
STATEMENTS OF NET COST OF OPERATIONS		
Costs:		
Operating Expenses (Note 19)	\$ 1,609,580	\$ 1,217,585
Cost of Goods Sold	2,605	10,940
Depreciation and Amortization	27,115	26,074
Interest Expense	28	45
Unfunded Expenses (Note 20)	(1,758)	9,682
Loss on Disposition of Assets	273	96
Total Costs	<u>1,637,843</u>	<u>1,264,422</u>
Revenues:		
Sales of Goods and Services--Public (Note 21)	296,267	196,854
Sales of Goods and Services--Intragovernmental	26,024	28,895
Interest Income--Intragovernmental	33	
Total Revenues	<u>322,324</u>	<u>225,749</u>
Net Cost of Operations	<u>\$ 1,315,519</u>	<u>\$ 1,038,673</u>
STATEMENTS OF CHANGES IN NET POSITION		
Net Cost of Operations	<u>\$ (1,315,519)</u>	<u>\$ (1,038,673)</u>
Financing Sources:		
Appropriations Used	1,234,343	1,136,210
Intragovernmental Transfers--Net	4,208	12,396
Imputed Financing (Note 22)	46,492	45,786
Other Financing Source (Note 23)	287,444	
Total Financing Sources	<u>1,572,487</u>	<u>1,194,392</u>
Transfers to Treasury or Other Agencies	<u>243,357</u>	<u>156,860</u>
Net Results of Operations	13,611	(1,141)
Prior Period Adjustments (Note 24)		<u>(47,472)</u>
Net Change in Cumulative Results of Operations	13,611	(48,613)
Increase (Decrease) in Unexpended Appropriations	<u>(6,915)</u>	<u>(18,788)</u>
Net Change in Net Position	6,696	(67,401)
Net Position, Beginning Balance	<u>(450,126)</u>	<u>(382,725)</u>
Net Position, Ending Balance	<u>\$ (443,430)</u>	<u>\$ (450,126)</u>

The accompanying notes are an integral part of these statements.

*Bureau of Land Management
Combined Comparative Statements of Budgetary Resources
for the Fiscal Years Ended September 30, 1999 and 1998
(dollars in thousands)*

	1999	1998
Budgetary Resources:		
Budget Authority	\$ 1,226,246	\$ 1,113,316
Unobligated Balances, Beginning of Period	238,165	277,172
Spending Authority from Offsetting Collections (Note 25)	436,408	86,439
Adjustments	<u>(7,494)</u>	<u>(7,017)</u>
Total Budgetary Resources	\$ <u>1,893,325</u>	\$ <u>1,469,910</u>
Status of Budgetary Resources:		
Obligations Incurred (Note 26)	\$ 1,652,522	\$ 1,254,282
Unobligated Balances--Available	233,949	203,988
Unobligated Balances--Not Available	<u>6,854</u>	<u>11,640</u>
Total Status of Budgetary Resources	\$ <u>1,893,325</u>	\$ <u>1,469,910</u>
Outlays:		
Obligations Incurred (Note 26)	\$ 1,652,522	\$ 1,254,282
Spending Authority from Offsetting Collections and Adjustments (Note 25)	<u>457,901</u>	<u>104,128</u>
Subtotal	1,194,621	1,150,154
Obligated Balances, Net, Beginning of Period	234,457	215,086
Obligated Balances, Net, End of Period	<u>266,223</u>	<u>234,457</u>
Total Outlays	\$ <u>1,162,855</u>	\$ <u>1,130,783</u>

The accompanying notes are an integral part of these statements.

*Bureau of Land Management
Combined Comparative Statements of Financing
for the Fiscal Years Ended September 30, 1999 and 1998
(dollars in thousands)*

	1999	1998
Obligations and Nonbudgetary Resources:		
Obligations Incurred (Note 26)	\$1,652,522	\$1,254,282
Spending Authority from Offsetting Collections and Adjustments (Note 25)	(457,901)	(103,532)
Imputed Financing	46,492	45,786
Transfers to Treasury or Other Agencies	(243,357)	(156,860)
Exchange Revenue Not in the Budget	(956)	(680)
Other Financing Source (Note 23)	287,444	
Total Obligations as Adjusted, and Nonbudgetary Resources	<u>1,284,244</u>	<u>1,038,996</u>
Less: Resources that Do Not Fund Net Cost of Operations:		
Change in Goods and Services Ordered But Not Yet Received	(21,651)	14,253
Costs Capitalized	20,422	28,408
Financing Sources that Fund Costs of Prior Periods	5,461	8,757
Prior Period Adjustments and Other		44,578
Total Resources that Do Not Fund Net Cost of Operations	<u>4,232</u>	<u>95,996</u>
Costs that Do Not Require Resources:		
Depreciation	27,115	26,074
Cost of Goods Sold	2,605	4,053
Loss on Disposition of Assets	3,307	2,840
Bad Debt Expense	157	(511)
Total Obligations as Adjusted, and Nonbudgetary Resources	<u>33,184</u>	<u>32,456</u>
Financing Sources Yet to be Provided	<u>2,323</u>	<u>63,217</u>
Net Cost of Operations	<u>\$1,315,519</u>	<u>\$1,038,673</u>

The accompanying notes are an integral part of these statements.

Note 1 - Summary of Significant Accounting Policies

A. BASIS OF PRESENTATION

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, budgetary resources, and details regarding financing of the Bureau of Land Management (BLM), as required by the Chief Financial Officers Act of 1990. The consolidating and combining financial statements present financial information by responsibility segment. They have been prepared from BLM's financial records in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB); the BLM accounting policies that are summarized in this note have also been followed. These statements are different from the financial reports submitted to OMB for purposes of monitoring and controlling the obligation and expenditure of budgetary resources.

B. REPORTING ENTITY

The BLM, a bureau of the Department of the Interior (DOI), was established on July 16, 1946, through the consolidation of the General Land Office and the Grazing Service in accordance with the provisions of Sections 402 and 403 of the President's Reorganization Plan No. 3 of 1946 (60 Stat. 1097). The BLM's functions are set forth in Section 301 of the Federal Land Policy and Management Act of 1976 (43 USC 1731).

On March 12, 1996, Secretary Babbitt signed Order Number 3198, transferring the Department's Helium Operations from the U.S. Bureau of Mines to the BLM. This was done under the authority of Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262), as amended. The helium production fund was established by the Helium Act (50 U.S.C. 10), enacted March 3, 1925, and amended by the Helium Act Amendments of 1960 (P.L. 86-777). Helium production and refining were discontinued on April 1, 1998, pursuant to the Helium Privatization Act of 1996 (P.L. 104-273).

The accompanying consolidated and combined financial statements include all appropriated funds, as well as all other funds for which the BLM maintains financial

records. Financial records are maintained by fund types as described below:

- 1. General Funds:** These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal general fund expenditure accounts maintained are:
 - a. Management of Lands and Resources
 - b. Wildland Fire Management
 - c. Payments in Lieu of Taxes
 - d. Oregon and California Grant Lands
- 2. Special Funds:** The BLM maintains both special fund receipt accounts and special fund expenditure accounts. Collections made into special fund expenditure accounts are available receipts and are considered BLM revenue. These collections are included in amounts transferred to Treasury and are recorded as appropriations. Collections made into special fund receipt accounts are earmarked by law for a specific purpose but are not generated from a continuing cycle of operations. Receipts are deposited as collected. Funds deposited into special fund receipt accounts typically arise from sales of public lands and materials, sales of timber, fees and commissions, mineral leases, and other charges for services provided by the BLM to users of the public lands. Amounts deposited into special fund receipt accounts are subject to various distribution formulas as specified by law.
- 3. Revolving Funds:** This type of fund is used to finance and manage a continuous cycle of business-type operations. The BLM maintains a Working Capital Fund (WCF) as a single administrative unit established to finance and account for services and commodities furnished to various program activities. The WCF was established in 1978 under Section 306 of the Federal Land Policy and Management Act of 1976 (Public Law 94-579) with an initial investment of \$2,000 in appropriated funds. Since that time, additional equity has been provided through intragovernmental transfers or donations of inventories, capital equipment, and other assets. Transfers or donations are made without reimbursement to the donating activity. All additional income to the WCF has been generated through charges to BLM's programs or other government agencies. The services provided by the WCF include motor vehicles, stores, a sign shop, a Departmental forms center, and the

collection and disbursement of receipts from surface management of the Naval Oil Shale Reserve under an October 2, 1987, memorandum of understanding with the Department of Energy. In addition, the WCF provides funding for travel advances and petty cash funds held by imprest fund cashiers.

In addition to the WCF, Helium Operations is funded through a public enterprise revolving fund. This fund was established with monies from the U.S. Treasury to manage the federal helium program, which includes helium production, storage, conservation, and sales activities. Funding for current management of this program is provided by sales of helium. Pursuant to the Helium Privatization Act of 1996, production and refining of helium has been discontinued, but crude helium storage and sale of the helium stockpile will continue through January 1, 2015.

4. **Trust Funds:** The BLM maintains two trust accounts to carry out specific programs under trust agreements and statutes. The Land and Resource Management Trust Fund contains monies contributed by non-federal organizations for resource development, protection, and management; conveyance of lands omitted in original surveys; and public surveys requested by individuals. The Alaska Townsite Trustee Fund receives money from the sale of town lots to non-natives and is available to cover the expenses involved in selling and maintaining townsites.
5. **Deposit Funds:** These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Refer to Note 13.

Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards For the Federal Government, requires agencies to report the full cost of programs, activities, and outputs. The standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

The BLM selected Activity Based Costing (ABC) in FY 1998 as the methodology to accumulate cost data for effective management use and to assign costs to outputs. As a result of the new costing methodology, the Bureau's responsibility segments were redefined to more closely reflect the Bureau's GPRA performance goals. The Consolidating Statements of Net Cost of Operations and Changes in Net Position are presented using these redefined responsibility segments. The new segments are as follows:

Preserve Natural and Cultural Heritage -

The BLM will preserve and protect natural, historical, landscape, and cultural resource values for current and future generations.

Understand the Condition of the Public Lands -

The BLM will comprehensively assess and report the condition of the lands it manages and ensure the adequacy of land use plans.

Restore At-Risk Systems and Maintain Functioning Systems -

The BLM will implement strategies to restore priority watersheds and resources to functioning condition.

Provide Opportunities for Environmentally Responsible Recreation -

The BLM will provide the public with diverse opportunities to recreate on the public lands while maintaining its lands and facilities in good environmental condition.

Provide Opportunities for Environmentally Responsible Commercial Activities -

The BLM will provide commercial opportunities for use of the public lands while maintaining or improving environmental conditions.

Reduce Threats to Public Health, Safety, and Property -

The BLM will ensure that the public lands and facilities are safe for the public and for employees.

Improve Land, Resource, and Title Information -

The BLM will provide the public with improved information about the land, its resources, and land records.

Provide Economic and Technical Assistance -

The BLM will meet trust responsibilities while providing economic and other assistance to Federally recognized Tribes.

Direct costs incurred in each of these activities are reported in the appropriate responsibility segment. Administrative costs and various indirect costs are allocated to the responsibility segments in a manner appropriate for each type of cost.

The Combining Comparative Statements of Budgetary Resources are presented using responsibility segments that reflect BLM's major budget accounts. These responsibility segments are:

- **Maintaining Public Lands and Services** - including Management of Lands and Resources, Oregon and California Grants Lands, Wildland Fire Management, Emergency Firefighting, Range Improvements, and Recreation Fee Sites;
- **Economic and Technical Assistance** - including Payments to States, Payments In Lieu of Taxes, and Alaska Native Corporations;
- **Asset Improvement** - including Natural Resource Damage Assessment/Restoration, the Central Hazardous Materials Fund, Land Acquisition, Construction, and the Highway Trust Fund; and
- * **Self-Financing Enterprises** - including the Working Capital Fund and the Helium Fund.

The Statements of Financial Position are not presented by responsibility segment and are shown as consolidated comparative only. The Combined Comparative Statements of Financing are elevated from footnote to principal statement format for FY 1999.

C. BASIS OF ACCOUNTING

The BLM maintains its accounting records on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Significant interfund balances and transactions have been eliminated.

D. FINANCING SOURCES AND REVENUES

The BLM receives most of the funding needed to support its programs through annual, multiyear, and no-

year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained through reimbursements for services performed for other Federal agencies, state and local governments, and the private sector. Finally, the BLM receives imputed financing from the Office of Personnel Management (OPM) for current and future pension and retirement benefits paid by OPM on behalf of the BLM and from the U. S. Department of the Treasury (Treasury) Judgement Fund for payment of settlements resulting from litigation against the BLM.

Revenues, such as those from reimbursable agreements, are recognized when earned. These revenues may be used to offset the cost of producing products or furnishing services, and to recover overhead costs.

Receipts are either available to the BLM for expenditure or are received by the BLM on behalf of others and are passed on to the Treasury or distributed to other governmental agencies. Gross receipts are reported as cash as received, while amounts billed but not yet received are included in both accounts receivable and undistributed collections. Bad debt expenses relating to those receivables are not considered to be a BLM expense; they are charged against undistributed collections. Transfers of receipts to Treasury and others are reported on the accrual basis. That portion of the transfers that will not be disbursed until the subsequent fiscal year is also included in undistributed collections. Thus, the net position of the BLM is not affected by these activities relating to collections, whether they be billings, bad debt expenses, or timing differences between the receipt of such collections and their subsequent disbursement.

Helium fund sales are authorized by Chapter 10 of Title 50 of the United States Code, enacted March 3, 1925, as amended by Public Law 86-777, dated September 13, 1960, entitled "Helium Act Amendments of 1960". Paragraph 167a(4) authorizes the Secretary to, "dispose of, by lease or sale, property, including wells, lands, or interest therein, not valuable for helium production, and oil, gas, and byproducts of helium operations not needed for Government use, except that property determined by the Secretary to be 'excess' within the meaning of section 3(e) of the Federal Property and Administrative Services Act of June 30, 1949, as amended (40 U.S.C. 471 et. seq.); and to issue leases to the surface of lands or structures thereon for grazing or other purposes when the same may be done without interfering with the production of helium;..." Amounts accumulating in the fund in excess of amounts the Secretary deems necessary to carry out the Helium Act and contracts negoti-

ated thereunder are paid to Treasury and credited against any amounts borrowed from Treasury.

The Helium Privatization Act of 1996 (P.L. 104-273), dated October 9, 1996, caused Interior to cease producing, refining, and marketing refined helium as of April 1, 1998, but authorized the storage, transporting, and withdrawing of crude helium and the maintaining and operating of crude helium storage facilities already in existence. Interior is further authorized to enter into agreements with private parties for the recovery and disposal of helium on Federal lands, and to sell stockpile crude helium until the helium reserves are reduced to 600 million cubic feet.

The helium fund is authorized to retain all receipts, which include, but are not limited to, fees, penalties, interest, and administrative charges on past due receivables and proceeds from the sale of its assets. Fees, penalties, interest, and administrative charges are credited to a revenue account and are recorded as a financing source. Gains and losses are computed when assets are sold and recorded as a financing source or use of finances respectively.

E. FUND BALANCES WITH TREASURY

The BLM does not maintain material amounts of cash in commercial bank accounts. Cash receipts and disbursements are processed by Treasury. Fund balances with Treasury include appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchase commitments. Also included are various other receipt and expenditure funds. Further details on fund balances with Treasury are contained in Note 2.

F. INVESTMENTS

The BLM invests the proceeds of certain land sales in securities of the U.S. Treasury as authorized by the Southern Nevada Public Land Management Act enacted in October 1998. Note 3 provides investment details.

G. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts owed to the BLM by other Federal agencies or by the public. Amounts earned through the provision of services to the public are not recognized as receivables until billed. Receivables from other Federal agencies and certain state government agencies are recognized when the revenue is earned. The BLM recognizes bad debts arising

from uncollectible accounts receivable by establishing an allowance for doubtful accounts based upon past experience in collecting accounts receivable and analysis of outstanding balances. See Note 4 for additional information concerning accounts receivable.

H. INVENTORY

Except for Helium Operations, BLM's inventory consists of items that will be consumed in future operations. Inventory is held by the WCF for use in BLM's resource management programs and is also maintained for sign construction, employee uniforms, and the DOI forms function. The use of inventory accounts is declining in BLM, and the inventory still on hand is stated at cost using the average cost method.

The helium inventory held for sale is the actual above-ground refined helium at the end of the fiscal year, plus an estimate of the amount of stockpile helium to be sold in the following fiscal year. The helium stockpile inventory is stored in a partially depleted natural gas reservoir. The cost to purchase the stockpile helium was \$12.058 per mcf. The volume of helium is accounted for on a perpetual inventory basis. Each year, the amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory. At a reservoir abandonment pressure of 25 psia, 95 percent of the stockpile is deemed recoverable. The amount of helium that is eventually recovered will depend on the future price of helium and the ability to control the mixing of native gas and stockpile helium. Gas and storage rights for the storage of helium are recorded at cost. A depletion allowance is computed annually to record the gas consumed in the processing of helium for sale.

Except for Helium Operations, BLM's inventory is not held for sale, nor is any of the inventory balance held in reserve for future use or sale. There is no excess, obsolete, or unserviceable inventory, nor is there any inventory held for repair. The BLM does not hold any other related property, including forfeited property, foreclosed property, seized property, commodities, or stockpile materials. Note 5 provides more information on BLM's inventory.

I. PROPERTY AND EQUIPMENT

This category consists of acquired lands; structures, facilities and improvements; automated data processing

(ADP) software; equipment and vehicles; construction in progress and property being held pending disposition. Prior to FY 1995, roads, trails, and bridges were also included in this category.

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant, and Equipment, and SFFAS No. 8, Supplementary Stewardship Reporting, have been issued by the Federal Accounting Standards Advisory Board. The standards recommend different accounting treatments for different types of property, plant, and equipment (PP&E), and provide for a distinction between general PP&E and stewardship PP&E. The former are PP&E used to provide general government services or goods. The latter include stewardship land--all land held by the Federal government that is not acquired for or in connection with an item of general PP&E--and heritage assets, including PP&E that have historical or natural significance.

The standards recommend that Federal entities establish appropriate capitalization thresholds. The BLM has established a capitalization threshold of \$250 per facility/site for real property components of general PP&E. Prior to FY 1995, the BLM had no minimum capitalization threshold for real property. The capitalization threshold for personal property was changed from \$5 to \$10 at the beginning of FY 1999.

The standards provide for capitalized property to continue to be reported on the Statement of Financial Position. PP&E that are not capitalized--because they are under the capitalization threshold, or because they are stewardship PP&E--are to be expensed in the period of acquisition. The standards require a separate stewardship report to provide relevant information regarding stewardship PP&E. That report can be found following the section on Financial Statements.

Capitalized property and equipment are recorded as follows:

1. General PP&E real property is capitalized at cost, if the aggregate cost of the site/facility is \$250 or more. Acquired land associated with capitalized assets is recorded separately from the structures, facilities, and improvements. Structures such as buildings that are used by the BLM but administered by the General Services Administration or other federal agencies are not recognized as BLM assets.
2. Purchased ADP software is capitalized at cost if the acquisition cost is \$10 or more (\$5 or more prior to

FY 1999) and the estimated useful life is 2 years or more. Internally developed software is not capitalized.

3. Equipment and vehicles are capitalized at cost if the acquisition cost is \$10 or more (\$5 or more prior to FY 1999) and the estimated useful life is 2 years or more.
4. Costs are accumulated in a construction in progress account for capitalizable general PP&E under construction or being acquired in incremental stages until the property is completed or totally acquired. At that time, the property is transferred to the appropriate asset account(s).

Depreciation for WCF vehicles and heavy equipment is recorded using the straight-line method, based upon useful lives ranging from 2 to 20 years with a 20 percent residual value.

Depreciation for non-WCF equipment and purchased ADP software is based on useful lives of up to 30 years, with a residual value of 10 percent.

The basis for capitalization of donated property and equipment is the estimated fair market value.

Information on property and equipment values is found in Note 6.

J. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by the BLM as the result of transactions or events that have already occurred. However, no liability can be paid by the BLM absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources, with no certainty that the appropriations will be enacted. In addition, BLM liabilities arising from sources other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Debt to Treasury is a liability of the Helium Fund. Borrowings occurred at various dates. Amounts borrowed became due 25 years from the date the funds were borrowed and are now past due.

Net worth debt is the amount due for the net capital and retained earnings of the Helium Fund established under 50 U.S.C. 10, Section 164, enacted March 3, 1925

(prior to amendment by the Helium Act Amendments of 1960), as determined by the Secretary as of September 13, 1960, plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act, 1959, for construction of a helium plant at Keyes, Oklahoma.

Additional borrowing from Treasury refers to funds borrowed under 50 U.S.C. 10, Section 167j, which authorizes borrowings to acquire and construct helium plants and facilities and for other related purposes including the purchase of helium.

Interest on borrowing is compound interest on the debt described above that has not been repaid to Treasury. While the debt was current, interest was calculated annually at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the investments authorized. The interest rate on the net capital and retained earnings was determined as of September 13, 1960, and the interest rate on additional borrowing was determined as of the time of each borrowing. The U.S. Treasury short-term borrowing rate was used to calculate the annual interest expense while the debt was past due. With the passage of the Helium Privatization Act of 1996, Public Law 104-273, enacted October 9, 1996, no further interest expense is incurred. The Act defines the amount repayable to the United States as all funds required to be repaid as of October 1, 1995, with no further interest accruing on the debt.

Additional information on debt to Treasury appears in Note 11.

K. ACCRUED LEAVE

Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to finance annual leave, future financing sources will be used.

Sick leave and other types of leave are expensed as taken because they are nonvesting in nature.

L. CONTINGENT LIABILITIES

The BLM is a party to various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. Contingent liabilities are recorded in the accounting records when the event potentially leading to the recognition of a liability is probable, and a reliable estimate of the scope of the potential liability is available. Further information on contingent liabilities is found in Note 16.

M. RETIREMENT PLAN

Nearly half of the BLM's employees participate in the Civil Service Retirement System (CSRS), to which the BLM makes matching contributions. The BLM does not report CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

On January 1, 1987, the Federal Employees Retirement System (FERS) became effective pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were authorized to elect to join FERS and Social Security or to remain in CSRS. FERS offers a savings plan to which the BLM automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For employees in FERS, the BLM contributes the employer's matching share for Social Security; the BLM contributes the employer's matching share of Medicare, 1.45 percent, for both FERS and CSRS employees.

The BLM recognizes its share of the expense of employee benefit programs and future pension outlays incurred by OPM and the imputed financing source applicable to the expense. Further information on imputed financing is available in Note 22.

N. LEASES

The BLM has entered into some lease arrangements that potentially qualify as capital leases. However, the BLM has historically not considered lease arrangements for inclusion as assets. The dollar value of leases that could qualify as capital leases is not considered material.

O. NET POSITION

The components of Net Position are defined as follows:

1. Unexpended appropriations include undelivered orders and unobligated balances; the latter may include both available and unavailable amounts.
2. Cumulative results of operations is comprised of
 - (1) the difference between revenues and expenses,
 - (2) the net amount of transfers of assets in and out without reimbursement, and (3) donations, all since inception of the fund(s).

P. COMPARATIVE DATA

Comparative data for the prior fiscal year is presented in order to provide an understanding of changes in BLM's financial position and operations. Except for the Statement of Budgetary Resources and the Statement of Financing, all statements are presented on a consolidated basis and use eliminating entries to avoid overstatement of balances caused by intrabureau transactions.

Note 2 - Fund Balances with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The balances shown on the Consolidated Comparative Statements of Financial Position represent BLM's right to draw on Treasury for valid expenditures. The balances consist of general fund receipt accounts, general fund expenditure accounts,

trust funds, revolving funds, special fund receipt accounts, special fund expenditure accounts, and deposit funds. Refer to Note 1(B). Fund balances as shown on BLM's records are reconciled periodically with Treasury's records.

Fund Balances with Treasury at September 30:

	1999	1998
Entity Assets:		
Obligated	\$262,501	\$ 231,000
Unobligated -- Available	234,104	209,569
Unobligated -- Restricted	<u>6,545</u>	<u>4,248</u>
Total	<u>\$503,150</u>	<u>\$ 444,817</u>
Non-Entity Assets:		
Unobligated -- Restricted	<u>\$260,811</u>	<u>\$ 124,581</u>

Note 3 - Investments

Investment in U.S. Treasury Securities at September 30, 1999:

	Par Value	Unamortized Discount	Net Book Value
U.S. Treasury Bills, Maturing Within 1 Year	\$1,358	\$11	\$1,347

Additional Information regarding investments may be found in Note 1(F).

Note 4 - Accounts Receivable

Accounts receivable represent amounts owed to the BLM. Entity accounts receivable represent amounts that the BLM has authority to use. Entity intragovernmental accounts receivable represent amounts due from other Federal agencies, while entity governmental accounts

receivable represent amounts due from non-Federal entities. Non-entity accounts receivable are amounts that are generated by BLM's programs but are not available to the programs. All of the non-entity accounts receivable represent amounts due from non-Federal entities.

Accounts Receivable at September 30, 1999:

	Entity		Non-Entity
	Intra-Governmental	Governmental	Governmental
Accounts Receivable	\$ 14,251	\$ 10,729	\$ 2,366
Less Allowance for Doubtful Accounts	<u> </u>	<u>2,557</u>	<u>721</u>
Accounts Receivable, Net	<u>\$ 14,251</u>	<u>\$ 8,172</u>	<u>\$ 1,645</u>

Accounts Receivable at September 30, 1998:

	Entity		Non-Entity
	Intra-Governmental	Governmental	Governmental
Accounts Receivable	\$ 13,185	\$ 8,242	\$ 5,397
Less Allowance for Doubtful Accounts	<u> </u>	<u>2,835</u>	<u>2,202</u>
Accounts Receivable, Net	<u>\$ 13,185</u>	<u>\$ 5,407</u>	<u>\$ 3,195</u>

Note 5 - Inventories

Inventories at September 30:

	1999	1998
Inventory, Net:		
Working Capital Fund:		
Inventory	\$ 225	\$ 543
Less Allowance for Loss on Inventory	<u>151</u>	<u>151</u>
	<u>74</u>	<u>392</u>
Helium Fund:		
Above-Ground Refined Helium for Sale		160
Below-Ground Crude Helium for Sale	<u>2,721</u>	<u>1,749</u>
	<u>2,721</u>	<u>1,909</u>
Inventory, Net	\$ <u>2,795</u>	\$ <u>2,301</u>
Gas and Storage Rights, Net:		
Gas and Storage Rights	\$ 1,538	\$ 1,538
Less Accumulated Depletion Allowance	<u>463</u>	<u>462</u>
Gas and Storage Rights, Net	\$ <u>1,075</u>	\$ <u>1,076</u>
Stockpile Materials:		
Below-Ground Crude Helium	\$ <u>360,485</u>	\$ <u>363,549</u>

Valuation methods and other information regarding inventories are presented in Note 1(H).

Note 6 - Property and Equipment, Net

Property and Equipment, Net at September 30, 1999:

	Acquisition Value	Accumulated Depreciation	Net Book Value
Acquired Land	\$ 10,969	\$	\$ 10,969
Structures, Facilities, and Improvements	165,429	86,121	79,308
ADP Software	2,567	1,350	1,217
Equipment and Vehicles	252,711	141,790	110,921
Construction in Progress	26,248		26,248
Property Being Held Pending Disposition	<u>5,482</u>	<u>2,863</u>	<u>2,619</u>
Total	<u>\$463,406</u>	<u>\$232,124</u>	<u>\$231,282</u>

Property and Equipment, Net at September 30, 1998:

	Acquisition Value	Accumulated Depreciation	Net Book Value
Acquired Land	\$ 10,773	\$	\$ 10,773
Structures, Facilities, and Improvements	162,266	80,795	81,471
ADP Software	2,613	1,251	1,362
Equipment and Vehicles	258,739	143,578	115,161
Construction in Progress	25,724		25,724
Property Being Held Pending Disposition	<u>5,482</u>	<u>2,863</u>	<u>2,619</u>
Total	<u>\$465,597</u>	<u>\$228,487</u>	<u>\$237,110</u>

Depreciation is recorded using the straight line method over a period of 2 to 30 years. Capitalization criteria are discussed in Note 1(I).

In FY 1998, significant effort was made to move previously completed projects out of construction in progress

and record them as real property, and to recognize depreciation starting from the date the assets were placed in service. This resulted in a prior period adjustment of \$2,894. Additional discussion of these adjustments may be found in Notes 1(H) and 24.

Note 7 - Unmatured Timber Sales Contracts

Unmatured timber sales contracts represent the obligation and the right of contractors to cut specific quantities of timber within a defined time period at a set price. These contracts represent future revenue to the U.S. Government that will materialize in future accounting periods as contracts are fulfilled by the cutting of timber. Also see Note 10.

Note 8 - Total Assets

For financial reporting purposes, the BLM has not recognized the value of negotiable securities or certificates of deposit pledged to guarantee performance of contracts. These instruments are accepted in lieu of bond coverage in the following programs: solid or fluid energy minerals extraction (oil, gas, coal, etc.), rights-of-way on the public or other lands, and certain contracts (performance bonds). Interest earned is paid to the owner of the security or certificate of deposit and is not available to the BLM. At September 30, 1999, the value of these securities was \$4,679; at September 30, 1998, the value was \$5,659. Since these assets are not available to the BLM unless a customer defaults on an agreement, they are not recognized as BLM assets or liabilities.

Note 9 - Undistributed Collections

Undistributed collections represent amounts collected into unavailable special receipt funds that have not yet been transferred to other funds. The total undistributed collections at the end of FY 1999 increased significantly due to approximately \$80,446 collected as a result of National Petroleum Reserve--Alaska Oil and Gas Lease Sale 991.

Note 10 - Deferred Credits

Intragovernmental deferred credits consist principally of the unspent Title V funds remaining at the end of the year.

Other deferred credits consist of unmaturing timber sales contracts, advances from customers of the helium fund, and special fund billed amounts. Unmatured timber sales contracts are described in Note 7. Customer advances in the helium fund represent advance payments on helium purchases and storage contracts. Special fund billed amounts are a combination of advance bills for anticipated obligations, as well as actual bills for obligations already incurred.

Deferred Credits at September 30:

	1999	1998
Intragovernmental:		
Unspent Title V Funds	\$31,562	
Other	<u>7,527</u>	
	<u>\$39,089</u>	
Unmatured Timber		
Sales Contracts	\$66,277	\$102,612
Customer Advances—		
Helium Fund	847	860
Special Fund		
Billed Amounts	<u>1,274</u>	<u>424</u>
	<u>\$68,398</u>	<u>\$103,896</u>

Note 11 - Debt to Treasury

Amounts due Treasury from the Helium Fund at September 30:

	1999	1998
Principal:		
Net Worth Debt	\$ 37,343	\$ 37,343
Additional Borrowing from Treasury	<u>251,650</u>	<u>251,650</u>
	<u>288,993</u>	<u>288,993</u>
Interest:		
Beginning Balance	1,060,211	1,068,211
Repayments	<u>(10,000)</u>	<u>(8,000)</u>
	<u>1,050,211</u>	<u>1,060,211</u>
Total Debt to Treasury	<u>\$1,339,204</u>	<u>\$1,349,204</u>

Refer to Note 1(J) for a description of net worth debt, additional borrowing from Treasury, and interest.

Note 12 - Accrued Payroll and Benefits

A liability is recognized for the salaries and benefits earned by employees but not yet paid at the close of the fiscal year. At September 30, 1999, accrued payroll liabilities were \$34,703, primarily representing 14 days of earned but unpaid compensation for BLM's workforce. At September 30, 1998, accrued payroll liabilities were \$30,312, primarily for 13 days of earned but unpaid compensation.

Note 13 - Deposit Funds

The BLM processes collections from various sources for activities related to public land administration. At any given time, the BLM may have collections that have not been specifically classified. These amounts are held in suspense pending further classification or resolution. The total FY 1999 balance is significantly larger than FY 1998 due to approximately \$27,957 collected as a result of National Petroleum Reserve--Alaska Oil and Gas Lease Sale 991.

Note 14 - Workers' and Unemployment Compensation Payable

Workers' and unemployment compensation payable represents the Department of Labor estimate of these liabilities.

Workers' and Unemployment Compensation Payable at September 30:

	1999	1998
Workers' Compensation Payable	\$6,786	\$6,203
Unemployment Compensation Payable	<u>676</u>	<u>635</u>
Total	<u>\$7,462</u>	<u>\$6,838</u>

Note 15 - Accrued Annual Leave

The BLM accrues annual leave not covered by budgetary resources. The expense is allocated to all funds which have personnel costs, in the ratio of those costs. The accrual is updated annually based on actual labor hours and current pay rates.

Note 16 - Contingent Liabilities

Judgements and Claims. The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits involve a variety of issues, including lost revenues when timber contracts were suspended because of environmental issues, injuries or death which occurred on BLM managed land or roads, issues regarding takings and suspension of mining claims, and other issues. In the opinion of BLM management and legal counsel, a reasonable estimate of the potential outcome or liability of most of these claims cannot be made. The resultant outcomes will not materially affect BLM's future financial condition. The U.S. Treasury's Judgement Fund will likely bear many of the costs incurred to pay judgements or settlements. At the end of FY 1999, three cases had reasonably estimable liabilities totaling \$1,700; this contingent liability is reflected in the financial statements.

Environmental Cleanup. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act, and the Resource Conservation and Recovery Act require federal agencies to report sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including federal agencies, to clean up releases of hazardous substances and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and

airports. Significant portions of the costs of cleanup will be incurred by, or recovered from, responsible parties.

The BLM had 20 small emergency response actions in progress as of September 30, 1999, that will require future funding. This type of action is usually mitigated using only a preliminary engineering study and, generally, no viable responsible party is found, which results in BLM bearing the expense. Future funding required as of September 30, 1999, was estimated at \$623. At September 30, 1998, the estimated future funding for 15 small sites was \$1,126 to \$1,156.

Larger sites require one or more studies to determine the scope of the contamination and the cleanup strategy and techniques. Cleanup costs cannot be estimated until these studies are complete. When the studies are complete, several cleanup options are generally suggested with the approximate range of cost of each, and BLM management determines the most appropriate course of action.

For these larger sites, commensurately greater efforts are made to identify and locate potentially responsible parties who can be held liable for the cost of studies and cleanup. Litigation or enforcement is required to obtain payment or cleanup from potentially responsible parties. As of September 30, 1999, 61 studies were underway or were planned, with future studies' costs estimated at \$13,620. The BLM will probably pay \$2,152 of that total, with other responsible parties paying the remainder. At September 30, 1998, the BLM had 25 studies underway or planned with estimated future costs of \$4,586 to \$4,836, of which the BLM expected to pay approximately \$1,426 to \$1,676.

Studies have been completed at 44 sites and as of September 30, 1999, future cleanup costs were estimated at \$32,974, with the BLM expecting to pay \$9,023 of that total. At September 30, 1998, studies had been completed for 41 sites, with an estimated cleanup cost of \$26,586, of which BLM expected to pay \$10,929.

In addition to the above, as of September 30, 1999, the BLM is aware of 174 sites where no work has been done at all and where the Bureau has insufficient information to make any estimates at all regarding the actions necessary to mitigate the site or the likely costs. The number of these sites at September 30, 1998, was 73.

Abandoned Mine Lands. During the mid-1990s, the BLM, along with state government agencies, conducted

a directed inventory to identify the most serious abandoned mine sites. Health and safety hazards and environmental degradation measures were recorded for each site. These 8,000 records are now part of the Abandoned Mine Land Inventory System, a database maintained jointly by the BLM and its sister agency, the Office of Surface Mining.

Cleanup costs are estimated as these sites are prioritized for funding. Between fiscal year 1997 and FY 1999, the BLM was appropriated \$14 million for water-quality based abandoned mine land cleanup projects under the Administration's Clean Water Action Plan. Under this plan, States identify the polluted watersheds they want to clean up and determine which ones are being affected by pollution stemming from abandoned mine sites. The BLM and other government and private landowners then leverage their funds to clean up all sites affecting the watershed. These projects are typically multiyear efforts. To date, the Bureau has completed 10 sites and, at the end of FY 1999, had work underway on 120 sites in 31 watersheds in 12 states.

Contingent Liabilities at September 30:

	1999	1998
Environmental Cleanup Liabilities:		
Small Emergency Response Actions	\$ 623	\$ 1,126
Larger Sites Requiring Studies	2,152	1,426
Larger Sites with		
Studies Completed	9,023	10,929
Total Environmental		
Cleanup Liabilities	11,798	13,481
Judgements and Claims	1,700	
Total Contingent Liabilities	13,498	13,481
Less Helium Fund	374	200
Contingent Liabilities Not Covered		
by Budgetary Resources	\$ 13,124	\$ 13,281

Note 17 - Actuarial Liabilities

Pursuant to OMB guidance, the presentation of Federal Employees' Compensation Act actuarial liabilities for workers' compensation benefits is a liability based on Department of Labor computations. This liability

includes the expected future liability for death, disability, medical, and other approved costs relating to current compensation act claims.

In fiscal year 1997, the actuarial data was not provided in time for inclusion in the BLM financial statements, but the liability was recognized in the Interior consolidated statements. The fiscal year 1998 computation showed a negative expense occurring between 1997 and 1998. Accordingly, the fiscal year 1998 actuarial estimate was presented as a liability and a prior period adjustment.

Note 18 - Unexpended Appropriations

Unexpended Appropriations at September 30:

	1999	1998
Unobligated, Available	\$ 181,427	\$ 170,856
Undelivered Orders	<u>167,134</u>	<u>184,622</u>
Total Unexpended Appropriations	<u>\$ 348,561</u>	<u>\$ 355,478</u>

Note 19 - Operating Expenses

Operating Expenses by Object Classification:

	1999	1998
Personal Services and Benefits	\$ 627,544	\$ 598,919
Travel and Transportation	44,427	40,976
Rental, Communication, and Utilities	64,641	60,551
Printing and Reproduction	3,594	3,218
Contractual Services	215,356	194,988
Supplies and Materials	61,743	58,270
Property and Equipment Not Capitalized	391,771	64,498
Bad Debts	157	(511)
Settlement of Claims	599	1,221
Grants, Subsidies, and Contributions	<u>199,748</u>	<u>195,455</u>
Total Operating Expenses	<u>\$ 1,609,580</u>	<u>\$ 1,217,585</u>

The significant increase in Property and Equipment Not Capitalized is a result of land acquisition expenses under Title V.

Note 20 - Unfunded Expenses

Unfunded expenses consist of the change in four unfunded liabilities: environmental cleanup expenses and other contingent liabilities, accrued annual leave, workers' and unemployment compensation payable, and actuarial liabilities.

Unfunded Expenses for FY 1999 and FY 1998:

	1999	1998
Environmental Cleanup Expenses	\$ (1,857)	\$ 6,656
Other Contingent Liabilities	1,700	
Annual Leave	(1,761)	3,883
Workers' and Unemployment Compensation	617	(857)
Change in FECA Actuarial Liability	<u>(457)</u>	<u>—</u>
Total Unfunded Expenses	<u>\$ (1,758)</u>	<u>\$ 9,682</u>

Note 21 - Sales of Goods and Services--Public

The total FY 1999 Sales of Goods and Services--Public are significantly higher than the FY 1998 total due to approximately \$80,446 collected as a result of National Petroleum Reserve--Alaska Oil and Gas Lease Sale 991.

Note 22 - Imputed Financing

Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government, establishes accounting and reporting standards for liabilities relating to the Federal employee benefit programs, including retirement, health benefits, and life insurance. The Office of Personnel Management (OPM) is responsible for paying the cost of these bene-

fits, and prior to FY 1997 the employing agencies had not been recognizing any of the cost.

Under the provisions of SFFAS No. 5, employing agencies must recognize the cost of pensions and other retirement benefits during their employees' active years of service, and must recognize the current annual cost of the Federal Employee Health Benefit (FEHB) program and the Federal Employee Group Life Insurance (FEGLI) program.

OPM actuaries have provided the employing agencies with rates for calculating the estimated cost of pension and other retirement benefits. They have also provided rates for use in calculating the cost of FEHB and FEGLI. The Department provided labor cost data for the BLM to use in applying the OPM rates to calculate the total imputed cost of these benefits. While BLM funds are not used to pay the cost of these personnel benefits, these are a BLM operating expense which must be reported to accurately reflect the cost of doing business. The use of OPM funds for this purpose is an imputed source of financing for the BLM.

The Department of the Treasury Judgement Fund is another imputed source of financing, included for the first time in fiscal year 1998. The BLM is a party to numerous lawsuits where the plaintiff is seeking monetary damages. In many cases, when the BLM is required to pay the plaintiff, either as a result of settlement or adjudication, payment is actually made from the Judgement Fund rather than BLM appropriations. Treasury provides agencies with information regarding the month and amount of payments actually made.

Imputed Financing for FY 1999 and FY 1998:

	1999	1998
Imputed Financing from OPM:		
Pension Costs	\$ 23,902	\$ 24,163
Health Benefit and		
Life Insurance Costs	<u>21,991</u>	<u>20,402</u>
	<u>45,893</u>	44,565
Imputed Financing		
from Treasury		
Department's		
Judgement Fund	<u>599</u>	<u>1,221</u>
Total Imputed Financing	<u>\$ 46,492</u>	<u>\$ 45,786</u>

Note 23 - Other Financing Source

Other Financing Source of \$287,444 consists of \$278,678 in Title V funding and \$8,766 in funds received for Y2K preparedness.

Note 24 - Prior Period Adjustments

Several prior period adjustments were recorded in the fiscal year 1998 financial statements. These consist of amounts that would have been recorded in the fiscal year 1997 or prior year statements had the data been available, or they represent changes, based on subsequent information, to amounts that were reported in the FY 1997 or prior year statements.

When the FY 1997 statements were prepared, the actuarial estimate of future costs for workers' compensation was not available. This estimate would have been recorded as an unfunded liability at the end of FY 1997, and the FY 1998 statements would have reflected a \$2,215 decrease in the estimate. The net actuarial estimate for workers' compensation has now been recorded as a prior period adjustment.

The BLM responded to a Management Letter issue regarding construction projects not being closed out timely. During FY 1998, the BLM gathered completion reports for a number of construction projects and processed the cumulative costs out of the construction in progress account and into asset accounts, making the appropriate corresponding entry into the real property module. Depreciation was calculated from the date the assets were actually placed in service through the current period. In many cases, portions of the depreciation were applicable to prior periods, and have been recorded as such.

In the fiscal year 1997 statements, the BLM reported a potential future outlay of \$7,900 based on our lawyers' best estimate of the outcome of pending litigation. Our lawyers advised us in FY 1998 that the likely outcome of current pending litigation, including the cases which comprised the amount reported in the fiscal year 1997 statements, was impossible to predict. Based on that

more current information, we made a prior period adjustment to reverse the liability recorded in FY 1997.

Prior Period Adjustments for FY 1998:

FECA Actuarial Liability	\$52,478
Depreciation Expense	2,894
Contingent Liabilities	<u>(7,900)</u>
Net Prior Period Adjustment	<u>\$47,472</u>

Note 25 - Spending Authority from Offsetting Collections

Spending authority from offsetting collections for FY 1999 increased significantly due primarily to the receipt of Title V funds.

Note 26 - Obligations Incurred

Obligations incurred for FY 1999 increased significantly due primarily to the expenditure of Title V funds for land acquisition.

Note 27 - Leases

The BLM has entered into some lease arrangements that potentially qualify as capital leases. However, the BLM has historically not considered lease arrangements for inclusion as assets. The dollar value of leases that could qualify as capital leases is not considered material.

The BLM also has operating leases for various types of space acquired through the General Services Administration (GSA) and directly from commercial sources. Typically, these leases have terms up to 20 years and most contain provisions for cancellation prior to the full term of the lease. GSA space leases are can-

cellable with 120 days notice and accordingly do not meet the criteria for being reported as a future liability. The future lease payments due, as shown below, are only for space leased from commercial sources.

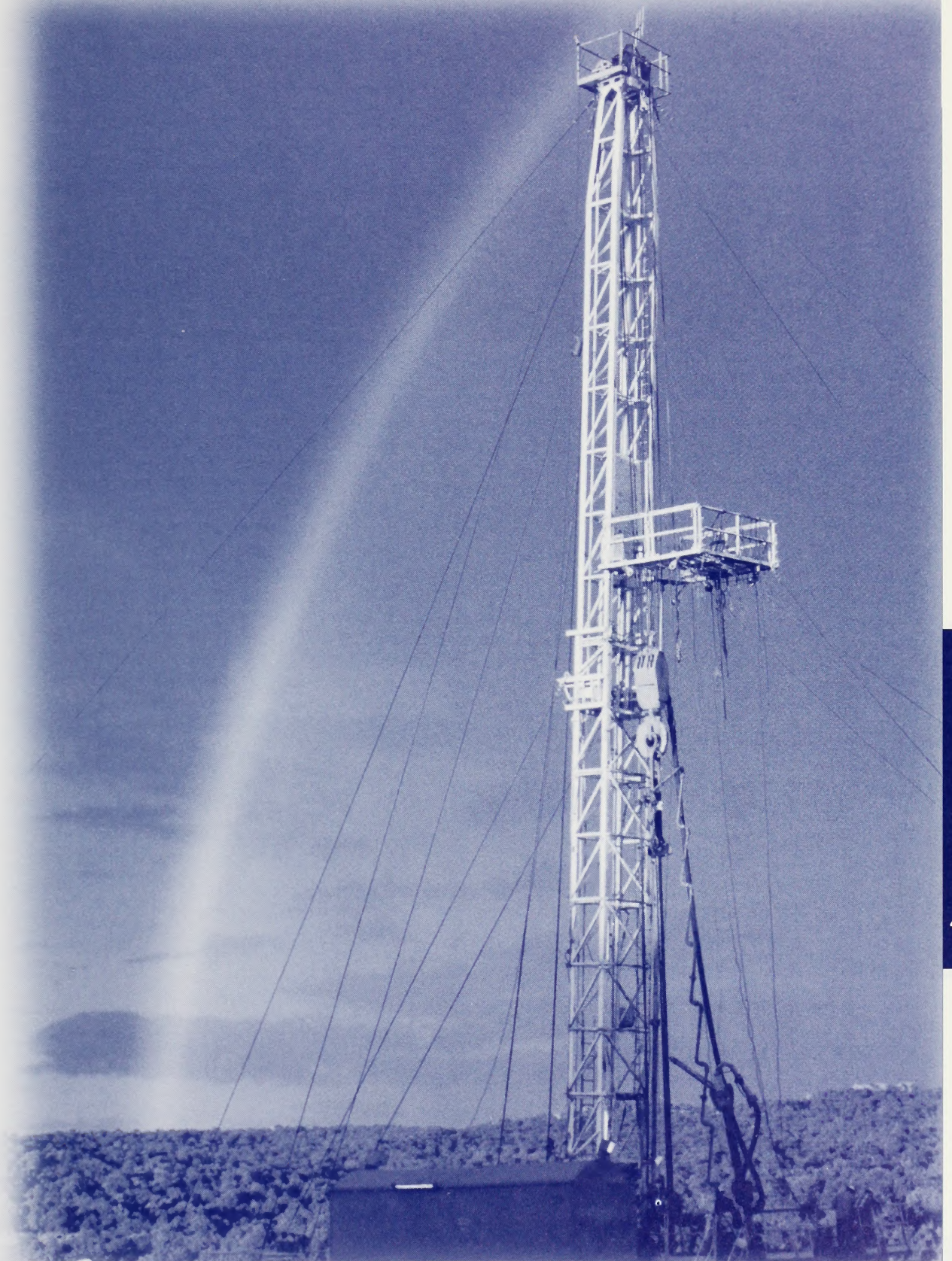
Government vehicles are acquired from GSA for indefinite periods of time frequently exceeding one year, but the regulations governing the acquisition and use of these vehicles do not meet the definition of a lease. Accordingly, GSA vehicles are not included in future lease payments due. Leased equipment in the BLM constitutes an immaterial amount and is not included below.

Future Operating Lease Payments Due as of September 30:

	1999	1998
Fiscal Year:		
1999	\$	\$12,161
2000	12,317	11,403
2001	11,473	10,139
2002	9,346	8,245
2003	8,058	6,653
2004	7,107	
Thereafter	18,275	19,655
Total Future Payments Due	<u>\$66,576</u>	<u>\$68,256</u>

Note 28 - Helium Closure

The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior ceased producing, refining, and marketing refined helium as of April 1, 1998. Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department may also enter into agreements with private parties for the recovery and disposal of helium on Federal lands and may grant leasehold rights to any such helium. The sale of stockpile crude helium will commence no later than January 1, 2005, and will continue until January 1, 2015, at which time the helium reserves should be reduced to 600 million cubic feet.



Drilling taking place on BLM-managed public land located within the Farmington District, New Mexico.

Bureau of Land Management
Consolidating Statements of Net Cost of Operations and
Changes in Net Position for the Fiscal Year
Ended September 30, 1999
(dollars in thousands)

	Preserve Natural and Cultural Heritage	Understand the Condition of the Public Lands	Restore At- Risk Systems and Maintain Functioning Systems	Provide Opportunities for Environmentally Responsible Recreation
STATEMENT OF NET COST OF OPERATIONS				
Costs:				
Operating Expenses	\$ 433,910	\$ 91,589	\$ 130,671	\$ 93,002
Cost of Goods Sold				
Depreciation and Amortization	1,762	1,815	1,894	1,577
Interest Expense	2	2	3	4
Unfunded Expenses	(175)	(187)	(163)	(151)
Loss on Disposition of Assets				
Total Costs	<u>435,499</u>	<u>93,219</u>	<u>132,405</u>	<u>94,432</u>
Revenues:				
Sales of Goods and Services--Public	12,053		16,419	10,214
Sales of Goods and Services--Intragovernmental	2		8,142	
Interest Income--Intragovernmental	33			
Total Revenues	<u>12,088</u>	<u></u>	<u>24,561</u>	<u>10,214</u>
Net Cost of Operations	<u>\$ 423,411</u>	<u>\$ 93,219</u>	<u>\$ 107,844</u>	<u>\$ 84,218</u>
STATEMENT OF CHANGES IN NET POSITION				
Net Cost of Operations	<u>\$(423,411)</u>	<u>\$(93,219)</u>	<u>\$(107,844)</u>	<u>\$(84,218)</u>
Financing Sources:				
Appropriations Used	151,319	99,839	94,600	92,029
Intragovernmental Transfers--Net	1,301	872	283	236
Imputed Financing	4,380	4,541	4,612	3,900
Other Financing Source	276,286		11,158	
Total Financing Sources	<u>433,286</u>	<u>105,252</u>	<u>110,653</u>	<u>96,165</u>
Transfers to Treasury or Other Agencies	<u>9,375</u>	<u>12,074</u>	<u>3,257</u>	<u>12,051</u>
Net Results of Operations	<u>\$ 500</u>	<u>\$ (41)</u>	<u>\$ (448)</u>	<u>\$ (104)</u>
Change in Unexpended Appropriations				
Net Change in Net Position				
Net Position, Beginning Balance				
Net Position, Ending Balance				

Provide Opportunities for Environmentally Responsible Commercial Activities	Reduce Threats to Public Health, Safety, and Property	Improve Land, Resource, and Title Information	Provide Economic and Technical Assistance	Eliminations and Other	Consolidated
\$271,993	\$ 301,032	\$ 63,477	\$ 243,407	\$(19,501)	\$ 1,609,580
2,252	353				2,605
5,912	12,407	939	809		27,115
4	12	1			28
(517)	(392)	(96)	(77)		(1,758)
975	(702)				273
<u>280,619</u>	<u>312,710</u>	<u>64,321</u>	<u>244,139</u>	<u>(19,501)</u>	<u>1,637,843</u>
251,112	6,103		284	82	296,267
7,713	25,489	4,261		(19,583)	26,024
					33
<u>258,825</u>	<u>31,592</u>	<u>4,261</u>	<u>284</u>	<u>(19,501)</u>	<u>322,324</u>
\$ <u>21,794</u>	\$ <u>281,118</u>	\$ <u>60,060</u>	\$ <u>243,855</u>	\$ _____	\$ <u>1,315,519</u>
\$ (21,794)	\$(281,118)	\$(60,060)	\$(243,855)	\$ _____	\$(1,315,519)
228,127	261,425	64,289	242,715		1,234,343
3,832	2,803	(601)	332	(4,850)	4,208
13,883	10,830	2,346	2,000		46,492
					287,444
<u>245,842</u>	<u>275,058</u>	<u>66,034</u>	<u>245,047</u>	<u>(4,850)</u>	<u>1,572,487</u>
210,463	(12,841)	5,936	1,112	1,930	243,357
\$ <u>13,585</u>	\$ <u>6,781</u>	\$ <u>38</u>	\$ <u>80</u>	\$ <u>(6,780)</u>	13,611
					(6,915)
					6,696
					(450,126)
					\$ <u>(443,430)</u>

Bureau of Land Management
Combining Comparative Statements of Budgetary Resources
for the Fiscal Years Ended September 30, 1999 and 1998
(dollars in thousands)

	1999			
	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self- Financing Enterprises
Budgetary Resources:				
Budget Authority	\$1,007,054	\$194,823	\$ 34,369	\$(10,000)
Unobligated Balances, Beginning of Period	152,470	16,211	23,099	46,385
Spending Authority from Offsetting Collections	95,217		300,275	40,916
Adjustments	<u>(90)</u>	<u>(8,516)</u>	<u>365</u>	<u>747</u>
Total Budgetary Resources	<u>\$1,254,651</u>	<u>\$202,518</u>	<u>\$358,108</u>	<u>\$ 78,048</u>
Status of Budgetary Resources:				
Obligations Incurred	\$1,132,921	\$195,389	\$300,780	\$ 23,432
Unobligated Balances—Available	119,318	2,737	57,278	54,616
Unobligated Balances—Not Available	<u>2,412</u>	<u>4,392</u>	<u>50</u>	
Total Status of Budgetary Resources	<u>\$1,254,651</u>	<u>\$202,518</u>	<u>\$358,108</u>	<u>\$ 78,048</u>
Outlays:				
Obligations Incurred	\$1,132,921	\$195,389	\$300,780	\$ 23,432
Spending Authority from Offsetting Collections and Adjustments	<u>114,631</u>	<u>935</u>	<u>300,640</u>	<u>41,695</u>
Subtotal	<u>1,018,290</u>	<u>194,454</u>	<u>140</u>	<u>(18,263)</u>
Obligated Balances, Net, Beginning of Period	217,501	484	8,549	7,923
Obligated Balances, Net, End of Period	<u>254,280</u>	<u>765</u>	<u>9,183</u>	<u>1,995</u>
Total Outlays	<u>\$ 981,511</u>	<u>\$194,173</u>	<u>\$ (494)</u>	<u>\$(12,335)</u>

Combined	1998				Combined
	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self- Financing Enterprises	
\$1,226,246	\$ 909,383	\$192,447	\$ 19,486	\$ (8,000)	\$1,113,316
238,165	184,033	16,222	32,311	44,606	277,172
436,408	46,829			39,610	86,439
(7,494)	(791)	(7,941)	374	1,341	(7,017)
<u>\$1,893,325</u>	<u>\$ 1,139,454</u>	<u>\$200,728</u>	<u>\$ 52,171</u>	<u>\$ 77,557</u>	<u>\$1,469,910</u>
\$1,652,522	\$ 1,000,056	\$193,672	\$ 27,829	\$ 32,725	\$1,254,282
233,949	132,511	2,353	24,292	44,832	203,988
6,854	6,887	4,703	50		11,640
<u>\$1,893,325</u>	<u>\$ 1,139,454</u>	<u>\$200,728</u>	<u>\$ 52,171</u>	<u>\$ 77,557</u>	<u>\$1,469,910</u>
\$1,652,522	\$ 1,000,056	\$193,672	\$ 27,829	\$ 32,725	\$1,254,282
457,901	61,614	1,190	375	40,949	104,128
1,194,621	938,442	192,482	27,454	(8,224)	1,150,154
234,457	188,826	277	14,166	11,817	215,086
266,223	217,501	484	8,549	7,923	234,457
<u>\$1,162,855</u>	<u>\$ 909,767</u>	<u>\$192,275</u>	<u>\$ 33,071</u>	<u>\$ (4,330)</u>	<u>\$1,130,783</u>



Hiker enjoys a walk through the Escalante River in Utah. (photo by Kelly Rigby)

Stewardship Assets

The BLM has been entrusted with stewardship responsibility for the multiple-use management of natural resources on approximately 264 million acres of public land. The agency also supervises mineral leasing and operations on an additional 370 million acres of mineral estate that underlie other Federal surface ownerships, as well as private surface ownerships. Our Nation's public lands are valued for their environmental resources, their recreational and scenic values, the cultural and paleontological resources they contain, their vast open spaces, and the resource commodities and revenue they provide to the Federal government, states, and counties.

Stewardship Lands

LOCATION OF STEWARDSHIP LANDS

Most of the public lands for which the BLM serves as steward were once a part of the 1.8 billion acres of "public domain" lands acquired by the Nation between 1781 and 1867. Lands managed by the BLM represent about one-eighth of America's land surface, or approximately 41 percent of the lands under Federal ownership. The BLM manages lands in 27 states, but most of the public lands are located in Alaska and the 11 western

states, encompassing Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming. Figure 1 shows the percentage of each state's surface acreage that is managed by the BLM.

USE OF STEWARDSHIP LANDS

The BLM is guided by the principles of multiple use and sustained yield in managing the public lands – principles that are shaped by both tradition and statute. Historically, multiple use has meant that the same area of land can be used simultaneously for two or more purposes, often by two or more different persons or groups. These uses might be complementary, or, as is frequently the case, competitive with one another. This long-term BLM management practice was codified in 1976 with the enactment of the Federal Land Policy and Management Act (FLPMA). Recognizing the value of the remaining public lands to the American people, Congress declared that these lands generally would remain in public ownership and defined multiple use as "management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people."

FLPMA requires not only that BLM's management of the public lands avoid permanent impairment of the produc-

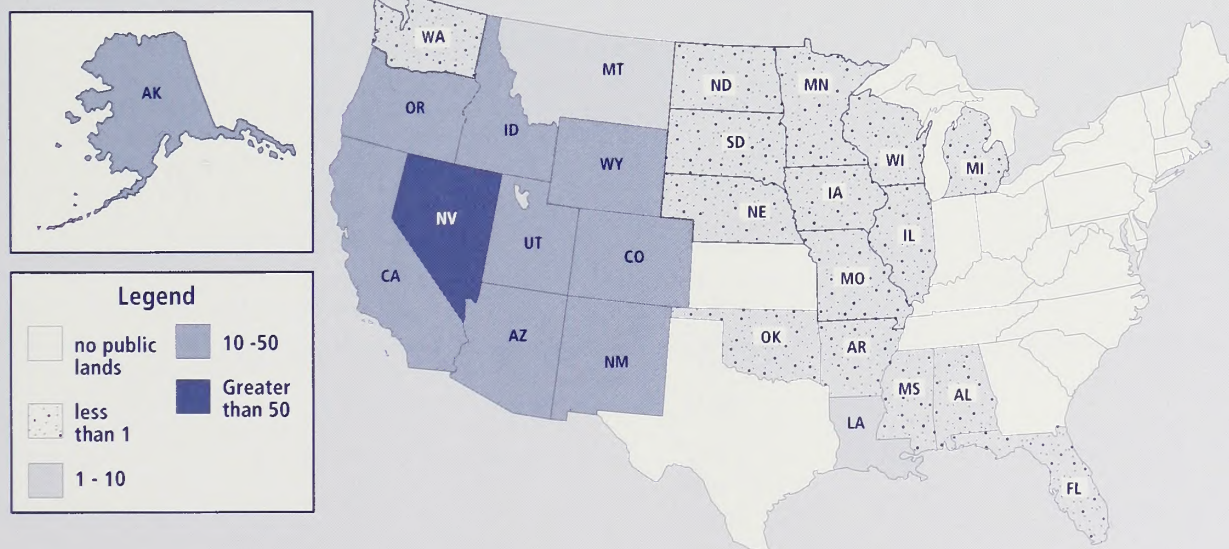


Figure 1 - Percentage of Each State's Surface Acreage Managed by the BLM

tivity of the land, but also that it not lead to the permanent impairment of "the quality of the environment." The act identifies the uses that are embraced by the multiple use concept to include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; range; timber; watershed; and wildlife and fish. In managing the public lands for these uses, the BLM is constrained by the legal mandate to "protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archeological values...and provide for...human occupancy and use."

For the BLM, land use planning is the process by which the multiple use concept is put into practice on any tract of public land. Use of the public lands and the riches they contain has changed throughout our Nation's history and continues to evolve. Identifying the predominant use of BLM-managed lands does not adequately portray the multiple use and sustained yield concept that guides the BLM in accomplishing its basic mission.

In adhering to the concept of multiple use and sustained yield, the Bureau's land management programs include significant efforts in restoring riparian areas and wetlands; preserving significant cultural and natural features; creating opportunities for commercial activities; protecting endangered species; developing opportunities for recreation and leisure activities; protecting public health, safety, and resources; managing wild horses and burros; managing wildlife habitat and fisheries; administering mining laws; managing rangelands; overseeing forest management, development, and protection; protecting wilderness; and managing wild and scenic rivers.

TYPES AND CONDITION OF STEWARDSHIP LANDS

The BLM is responsible for managing a variety of land types. Table 1 shows the primary land types that are managed by the BLM, along with their general condition.

Rangelands: The BLM manages 164 million acres of rangelands in the continental United States and another 5 million acres of reindeer range in Alaska. Rangeland is land on which the native vegetation (climax or natural potential) is predominately grasses, grass-like plants, forbs, or shrubs suitable for grazing or browsing use. Rangeland includes lands revegetated either naturally or artificially to provide a forage cover that is managed like native vegetation. Rangelands encompass natural grasslands, savannahs, shrublands, most deserts, tundra, alpine communities, coastal marshes, and wet meadows.

Rangeland Management: The 164 million acres of rangelands in the continental United States are man-

aged under the multiple use concept defined in FLPMA. Under that concept and law, the BLM manages rangelands to offer uses and values far beyond what many people would have thought years ago to be possible for "the lands that no one wanted."

Among the many attributes and values that the public lands offer, well-managed rangelands produce forage and habitat for domestic and wild ungulates, as well as many other forms of wildlife. Rangelands also supply water to communities and municipalities as a result of their watershed functions, capturing and filtering water through the hydrologic cycle. And they supply open space and room for a growing number of recreationists in the form of hunting, fishing, camping, hiking, and other forms of outdoor recreation.

The use of rangelands for grazing is supported not only by FLPMA, but also by the Public Rangelands Improvement Act of 1978 (PRIA), and one of BLM's founding laws, the Taylor Grazing Act of 1934 (as amended). The Taylor Grazing Act, which confers broad powers upon the Department of the Interior for the multiple use management of natural resources, is one of the major conservation laws of the Nation. The Act also contains very direct language requiring the BLM to stop injury to the public grazing lands by preventing overgrazing and soil deterioration; to provide for their orderly use, improvement, and development; and to stabilize the livestock industry that depends upon the public range.

The BLM plays a significant role in managing the grazing of domestic livestock on public lands. Most of the grazing capacity on the public lands is committed and has been since the early days of the Bureau. The primary domestic livestock that are permitted for grazing use are cattle and sheep. However, horses, goats, and bison are occasionally permitted.

Resource staffs assess rangelands in accordance with 43 CFR 4180 relative to Standards for Rangeland Health and Guidelines for Livestock Grazing Management. These assessments are completed on areas to ensure, at a minimum, that grazing practices incorporate the following principles: (1) maintain or achieve properly functioning ecosystems; (2) achieve properly functioning riparian systems; (3) maintain, restore or enhance water quality that meets or exceeds state standards; and (4) ensure the habitat of threatened or endangered and category 1 or 2 candidate species. States have developed their own standards for rangeland health with the help of Resource Advisory Councils composed of members representing local business interests, conservation groups, and governmental bodies.

In FY 1999, field offices completed the rangeland health analysis process on 2,680 grazing allotments encompassing 18,576,831 acres. To date, 3,051 allotments have been reviewed encompassing 27,733,166 acres.

Table 1 - Type and Condition of Lands Managed by the BLM

Land Type	Acres/Miles	Condition ¹
Rangeland		
a. Alaska Reindeer Range	5 Million Acres	Late seral (good)All
b. Continental USA Rangelands	164 Million Acres	2 - 3 - 4 Potential natural community (excellent)5% Late seral (good).....30% Mid seral (fair)38% Early seral (poor).....12% Unclassified ⁵15%
Forested Land		
a. Forestlands	11 Million Acres	43 Million AcresHealthy
b. Woodlands	36 Million Acres	4 Million AcresNeeding Restoration ⁶
Riparian Areas and Wetlands	7	
a. Riparian Areas	181,000 Miles 10 Million Acres	Alaska Properly Functioning.....91% Functioning but at RiskTrace Nonfunctional.....1% Unknown8% Lower 48 States Properly Functioning.....39% Functioning but at Risk.....42% Nonfunctional.....10% Unknown9% Alaska Properly Functioning98 % Unknown2 % Lower 48 States Properly Functioning.....48% Functioning but at Risk.....13% Nonfunctional.....3% Unknown36%
b. Wetlands	13 Million Acres	
Aquatic Areas (Lakes, Reservoirs, and Streams)	3 Million Acres 116,754 Miles	Alaska: Good Lower 48 States: Poor
Other Habitat	22 Million Acres	Unclassified

- ¹ **Impact of Hazardous Materials on the Condition of the Public Lands:** The cumulative direct impacts of the identified future liability hazardous materials sites will be very small nationally or even regionally. It is the goal of the BLM to achieve cleanup of these sites, and as needed, to restore the functions of adversely affected natural resources.
- ² **Impact of Noxious Weeds on the Condition of the Public Lands:** Noxious weeds currently infest more than 8.5 million acres, or 5 percent of BLM's 164 million acres of rangeland in the continental United States. The BLM strategy for preventing and controlling the spread of noxious weeds on the BLM public lands is called "Partners Against Weeds."
- ³ This is a composite of rangeland condition classification since most of the public lands have not been classified under the newer ecologically based classification. The older range condition classification as depicted here rates the rangelands' ability to produce forage.
- ⁴ Bureauwide, only 56 percent of rangeland has been inventoried using Ecological Site Inventories or the Soil-Vegetation Inventory Method. The percentage by State is as follows: Arizona, 44 percent; California, 16 percent; Colorado, 49 percent; Idaho, 56 percent; Montana, 86 percent; Nevada, 51 percent; New Mexico, 80 percent; Oregon, 69 percent; Utah, 61 percent; and Wyoming, 50 percent.
- ⁵ The unclassified condition for "Rangeland" refers to lands such as dry lakebeds, rock outcrops, and other areas for which data has not been gathered.
- ⁶ Although condition assessment surveys, per se, are not normally performed on forestlands and woodlands, experts in the BLM estimate that approximately 4 million acres are in need of ecological restoration work, including mechanical forest thinning/fuel reduction, prescribed fire treatments, and tree species reintroduction.
- ⁷ The BLM's definition of riparian areas excludes stream reaches where water flows for only brief periods during storm runoff events (ephemeral streams).

Another ongoing effort for BLM's range staff is the renewal of expiring term grazing permits and leases. This effort requires a review of each permit and lease to ensure they are in conformance with land use plans and in compliance with the National Environmental Policy Act (NEPA).

During FY 1999 the BLM faced a staggering workload in reviewing 5,364 expiring permits and leases, with another 2,241 permits scheduled to expire in FY 2000. In FY 1999, field offices completed this review and issued 3,872 new grazing permits and leases.

Rangeland Condition: The condition of rangeland managed by the BLM is expressed as the degree of similarity of present vegetation to the potential natural plant community:

- "Potential natural community" means that the current vegetation is between 76 and 100 percent similar to the potential natural plant community.
- "Late seral" means that the current vegetation is between 51 and 75 percent similar to the potential natural plant community.

- "Mid seral" means that the current vegetation is between 26 and 50 percent similar to the potential natural plant community.
- "Early seral" means that the current vegetation is between zero and 25 percent similar to the potential natural plant community.

Forestlands and Woodlands: Approximately one-sixth of the land under BLM jurisdiction is forestland. Forestlands managed by the BLM include black and white spruce in Alaska; aspen, lodgepole pine, ponderosa pine, interior Douglas fir, and associated species of the Intermountain West; the pinyon-juniper woodlands of the Great Basin and the Southwest; and the Douglas fir, hemlock, and cedar forests of western Oregon and northern California.

Forestlands are generally defined as lands capable of growing trees for harvest; land at least ten percent stocked with trees of any species and size; or lands that have been stocked, harvested, and will be replanted. Commercial forestlands are capable of growing 20 or more cubic feet of wood per acre per year. Other forestlands not capable of producing 20 cubic feet of



Field biologists planning their day's fieldwork in northern Alaska (BLM photo)

wood per acre per year, generally because of poor site growing conditions, are classified as woodlands. Woodland trees are often small and interspersed with grass and brush.

Forestlands and woodlands encompass approximately 47 million acres. About 22 million acres are in Alaska, with the remaining 25 million in the 11 western states. Of this 47 million acres of forestland, less than 4 million acres outside of Alaska are actually classified as productive "forestland". Although Alaska has about 7 million acres that are capable of producing timber, most of this land is inaccessible or too far from established markets to make timber harvest feasible. Timber development has also been deferred in Alaska until State selection, Native claims, withdrawals, and other dispositions are completed. Of the 2.1 million acres of commercial forestland in western Oregon, about 560,000 acres are intensively managed for timber. Table 2 shows the distribution of the 47 million acres of forestlands and woodlands by state.

Table 2 - Forestland and Woodland Distribution by State

State	Forestland (thousand acres)	Woodland (thousand acres)
Alaska	7,000	15,000
Arizona	17	1,241
California	186	861
Colorado	470	3,535
Idaho	332	527
Montana	475	339
Nevada	87	4,488
New Mexico	450	1,875
Oregon	2,146	1,627
Utah	4	6,418
Wyoming	210	211

Forestland and Woodland Management: All BLM forestlands are managed under the principles of multiple use, sustained yield, and environmental quality protection in accordance with the Federal Land Policy and Management Act (FLPMA). Management of values

and uses such as recreation, aesthetics, water quality, wildlife habitat, and wilderness, as well as timber production, is accomplished through an ecologically-based program that emphasizes biological diversity, sustainability, and the long-term health of forestlands and woodlands.

Outside of western Oregon, forestlands and woodlands management has been largely custodial, consisting of basic resource protection and providing recreation, wildlife habitat, and livestock grazing opportunities. Where local demand exists, woodlands management includes the sale of forest products such as fuelwood, posts and poles, wildings, edibles, medicinals, Christmas trees, and other commodities generally purchased by individuals for their own consumption.

By far the most valuable and intensively managed forestlands of the BLM are the 2.1 million acres in western Oregon known as the "Oregon and California (O&C) railroad grant lands" and the "Coos Bay Wagon Road (CBWR) grant lands." These highly productive lands are managed under the Northwest Forest Plan to provide a sustainable supply of both timber and non-timber resources. The O&C and CBWR lands produce about 95 percent of the total volume of timber annually harvested from BLM forests.

In FY 1999, the BLM forestry program offered about 74 million board feet of timber for sale, harvested approximately 202 million board feet, and applied forest management treatments on about 25,000 acres of BLM forestlands.

Forestland and Woodland Condition: BLM forestlands and woodlands classified as productive provide for recreation use and forest products as well as wildlife habitat and watershed protection.

In the past few years, the traditional emphasis of forest management has changed. Attention is now focused on the condition of forestlands and woodlands managed by the BLM as expressed in terms of forest health. Forest health is characterized by such factors as age, structure, composition, function, vigor, presence of unusual levels of insects or disease, and resilience to disturbance. Overall forest health on BLM forests is declining due primarily to the exclusion of frequent, low intensity fires. Exclusion of natural fires in forestland and woodland ecosystems has led to tree population explosions, dead fuel accumulation, and landscape-level species composition changes that now seriously threaten the health of public forests and increase the risk of large, catastrophic wildfires, as well as extensive insect and disease epidemics.

The BLM has actively addressed forest health issues by accelerating salvage harvesting using an ecosystem approach, where this can be done without long-term

adverse impacts to other resource values. Interagency assessment of forest health is underway for the Columbia River Basin. The BLM is currently reviewing an inventory and monitoring methodology to assess the condition of forestlands and woodlands on all public lands. However, it will probably take several years to implement and will require additional staff and budget. From the information available at this time, it is estimated that nearly 4 million acres of forestlands and woodlands are in need of ecological restoration work, including mechanical forest thinning and fuel reduction, prescribed fire treatments, and tree species reintroduction.

Riparian Areas and Wetlands: Riparian areas are lands adjacent to creeks, streams, and rivers where vegetation is strongly influenced by the presence of water. Riparian areas may constitute less than 1 percent of the land area in the western part of the United States, but they are among the most productive and valuable of all lands.



Campers pitch their tent in BLM Aravaipa Canyon Wilderness (BLM photo)

On the BLM public lands in western Oregon and California, riparian areas are characterized by a zone of deciduous trees and shrubs between the stream and conifer forests. In Alaska, riparian areas are composed of willows, alders, and meadow grasses along rivers, lakes, and bogs. In the arid climate of the Great Basin and Southwest, riparian areas are gems in the desert, characterized by grasses, forbs, sedges, woody shrubs, and trees, and are easily distinguished from dryer upland vegetation.

Wetlands are generally defined as areas inundated or saturated by surface water or groundwater at a frequency and duration sufficient to support vegetation that is typically adapted for life in saturated soil. Wetlands include bogs, marshes, shallows, muskegs, wet meadows, and estuaries.

Healthy riparian-wetland systems purify water as it moves through the vegetation by removing sediment,

and act like a sponge by retaining water in streambanks and ground water aquifers. Riparian-wetland vegetation along upper watershed streams can absorb and dissipate the energy of floodwaters before they reach high-value agricultural lands in lower valleys.

Riparian and Wetland Management: BLM's Riparian-Wetland Initiative for the 1990s has served as the operating premise for the BLM since 1991. This initiative provides the blueprint for managing and restoring riparian-wetland areas encompassing about 13 million acres of wetlands and 181,000 miles of riparian areas on BLM's public lands. Overall, riparian-wetland areas account for about 9 percent of the 264 million acres of land under BLM management.

Many wildlife species depend upon the unique and diverse habitat niches offered by riparian wetland areas. These habitats provide food, water, shade, and cover, and they are valuable sources of forage for big game and livestock.

Riparian-wetland areas provide habitat for more than 42 percent of all the mammals in North America. They are also stop-over areas for thousands of migrating birds. Riparian-wetland vegetation is of critical importance for fish, especially for trout in desert streams, where the vegetation provides escape cover, lowers summer water temperatures through shading, and reduces streambank erosion that can silt-in spawning and rearing areas.

Finally, riparian areas are focal points for recreation, including fishing, camping, boating, and hiking.

Riparian and Wetland Condition: The condition of riparian-wetland areas is determined by the interaction of geology, soil, water, and vegetation:

- "Properly functioning" means that adequate vegetation, landform, or large woody debris is present to dissipate stream energy associated with high waterflows; to filter sediment, capture bedload, and aid floodplain development; to improve flood-water retention and groundwater recharge; to develop root masses that stabilize streambanks against cutting action; to develop diverse ponding and channel characteristics; and to support greater biodiversity.
- "Functioning but at risk" means that areas are susceptible to degradation due to soil, water, or vegetation characteristics.
- "Nonfunctional" means that areas do not provide adequate vegetation, landform, or large woody debris to dissipate stream energy, and consequently do not reduce erosion or improve water quality.

- “Unknown” applies to areas where sufficient information has not been collected to determine condition.

Aquatic Areas: These are areas of water flow or standing water that include almost 2.9 million acres of lakes and reservoirs and 116,754 miles of fishable streams. These waters contain a wide variety of aquatic species that range from rare resident species, such as desert pupfish, to endangered and threatened anadromous species such as steelhead and chinook salmon. These species and their environments depend on sound BLM land stewardship of rangelands, watershed, and riparian areas.

Aquatic Area Management: Many BLM activities relate directly or indirectly to management of aquatic resources. In addition to resident and anadromous fisheries management, threatened and endangered species initiatives, and Wildlife 2000, the BLM has implemented standards for rangeland health and guidelines for watersheds, riparian areas and wetlands, stream channels, and water quality. These activities, along with forestry, soil, air, and water initiatives, will contribute to the maintenance and restoration of aquatic habitats. Listings of fish and other aquatic species continue under the Endangered Species Act and will require the BLM to modify management consistent with the species needs. The Fishery Resources Conservation Plan, developed in response to Executive Order 12962, requires the BLM to enhance recreational angling on public lands; the BLM has provided additional access for fishing opportunities under this plan. One of the Bureau’s major goals is to restore native fish species through “Bring Back the Natives,” its flagship partnership with Trout Unlimited, the National Fish and Wildlife Foundation, and other Federal and Tribal partners. The BLM also has partnerships through watershed coalitions with numerous other Federal and state agencies, local governments, private partners, non-governmental organizations, and tribes throughout the West to restore and manage aquatic systems. With continued involvement in these partnerships, aquatic habitats on BLM-administered lands should continue to improve over the next decade.

Aquatic Area Condition: The BLM has not assessed the condition of all the aquatic habitats that it manages. Aquatic condition is highly variable on BLM-managed public lands. For instance, the condition of the more than 96,000 miles of perennial streams in Alaska is good; of the 15,145 miles of BLM-administered streams in Alaska occupied by anadromous fish species, only about 2 percent have been impacted by mining activities, roads, and oil and gas development. The remaining stream miles in Alaska have experienced little or no human impact and are generally considered to be in good to excellent condition.

In the 11 western states where the BLM manages large tracts of public land, the condition of some aquatic

areas ranges from good to excellent, including the 2,038 miles of rivers designated as Wild and Scenic. However, conditions are degraded or poor in many areas that have been impacted by activities such as cattle grazing, water diversion, ground water pumping, mining, timber harvesting, and road building. For the 3,676 miles of BLM-administered streams in Oregon, Washington, Idaho, and California that support salmon and trout, habitat conditions range from poor to excellent. In BLM states without salmon and steelhead populations, such as Colorado and Arizona, about 47 percent of the 4,469 miles of BLM-administered streams in Colorado and 34 percent of the 893 miles of streams in Arizona are in properly functioning condition; about 34 percent and 46 percent, respectively, are functioning-at-risk; and about 17 percent and 2 percent, respectively, are not functioning properly. (The status of the remaining stream miles in these two states is not known.) A similar range of conditions in aquatic areas prevails in the other western states. Aggressive restoration treatments, including changes in management practices and direct channel/riparian manipulation, will be needed to move Functioning at Risk systems into a Properly Functioning condition.

Other Habitat: Lands classified as other habitat are areas that generally do not provide forage in sufficient amounts to sustain wildlife or grazing animals. This land type includes mountaintops, glaciers, barren mountains, sand dunes, playas, hot-dry deserts, and other similar areas.

NET CHANGE IN STEWARDSHIP LAND ACREAGE FROM 1998 TO 1999

Lands under the exclusive jurisdiction of the BLM at the end of fiscal year 1999 increased by approximately 553,000 acres from fiscal year 1998. This represents an increase of 0.21 percent, which resulted from the net effect of acquisitions, disposals, exchanges, withdrawals, restoration transactions, and audits/reviews of records. As a result of audits/reviews of reserved land records, there was an increase of more than 608,000 acres in New Mexico. Excluding the effect of this particular increase, there would have been a net decrease of nearly 55,000 acres, or approximately .02 percent.



Bisti Wilderness - Farmington District, New Mexico.
(BLM photo)

PROTECTING AND ENHANCING THE NATURAL AND HUMAN ENVIRONMENT

Guided by the principles of multiple use and sustained yield in managing the public lands, the BLM has recognized the need to protect and enhance the natural and human environment. Special management areas have been designated by congressional and administrative action. Congress has established national trails, Wild and Scenic Rivers, and wilderness areas, to name a few. Administratively designated areas include recreation areas, primitive areas, natural areas, resource conservation areas, areas of critical environmental concern, and others.

TYPES OF SPECIAL MANAGEMENT AREAS

Although the BLM manages heritage assets that are not specifically in designated areas, significant portions of the public lands have been congressionally or administratively designated as special management areas. These special management areas have been designated to preserve their natural heritage values. Table 3 provides a summary of designated special management areas, along with their number and size. In general, the ecological condition of these areas is addressed under the closest land type in Table 1. For example, a wilderness study area that is predominantly rangeland would be considered to be in at least the same ecological condition as the surrounding rangeland. Many of these special management areas contain various quantities of each of the land types described in Table 1.

Table 3 - Number and Size of Designated Special Management Areas

Special Management Area ¹	Number	Total Acres ²	Total Miles ²
National Wild and Scenic Rivers [c]	34	998,468	2,038
Wilderness Areas [c]	136	5,243,332	
Wilderness Study Areas [a and c]	622	17,298,430	
National Conservation Areas [c]	8	11,692,190	
White Mountains National Recreation Area [c]	1	1,000,000	
National Historic Trails [c]	8		3,533
National Scenic Trails [c]	2		568
Yaquina Head National Outstanding Natural Area [c]	1	100	
Lake Todatonten Special Management Area [c]	1	37,579	
Santa Rosa Mountains National Scenic Area [a]	1	101,000	
Herd Management Areas [a]	200	36,069,895	
Grand Staircase-Escalante National Monument [p]	1	1,880,000	
Areas of Critical Environmental Concern [a]	740	13,111,829	
National Natural Landmarks [a]	43	599,042	
Research Natural Areas [a]	152	347,214	
National Recreation Trails [a]	26		429
National Back Country Byways [a]	64		3,518
Globally Important Bird Areas [a]	2	³ 56,500	

¹ Congressional designations are identified by [c]; Administrative designations are identified by [a]; Designations by Presidential proclamation are identified by [p].

² These quantities are also reported in the Stewardship Lands section of this report under the land type applicable to the special management area.

³ The acreage for Globally Important Bird Areas is also contained in National Conservation Areas and the Yaquina Head National Outstanding Natural Area.

Note: Deferred maintenance information is presented in the Deferred Maintenance section that appears after this Stewardship Assets report.

National Wild and Scenic Rivers: The BLM administers some 20 percent of all rivers in the National Wild and Scenic Rivers System, a total of 34 rivers in five states. These nationally recognized rivers comprise more than 2,000 river miles and encompass some of the Nation's greatest diversity and concentrations of recreational, natural, and cultural resources. Included among the BLM-managed Wild and Scenic Rivers is the Fortymile River in Alaska, which is the longest designated river (392 miles) in the National Wild and Scenic Rivers System.

Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories, depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstandingly remarkable value – scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

Wilderness Areas and Wilderness Study Areas:

The BLM administers 136 wilderness areas consisting of 5.2 million acres, as well as 622 wilderness study areas encompassing approximately 17 million acres. Nearly 9 percent of all the BLM-managed public lands are designated as either a wilderness or wilderness study area.

The locations of these wilderness areas and wilderness study areas throughout the western United States ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands. Figures 2 and 3 show the percentage of wilderness and wilderness study area acreage by state.

Figure 2 - Percentage of Wilderness Acreage by State

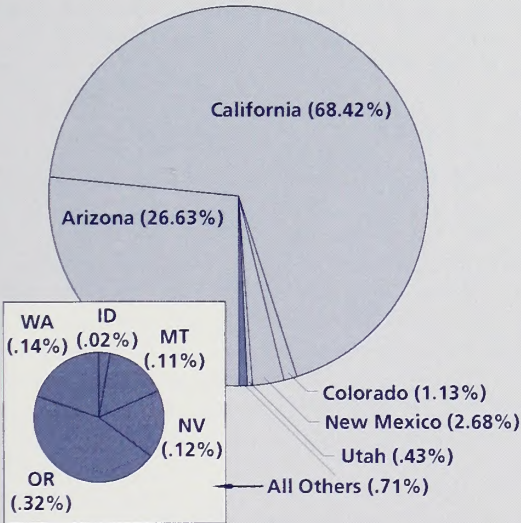
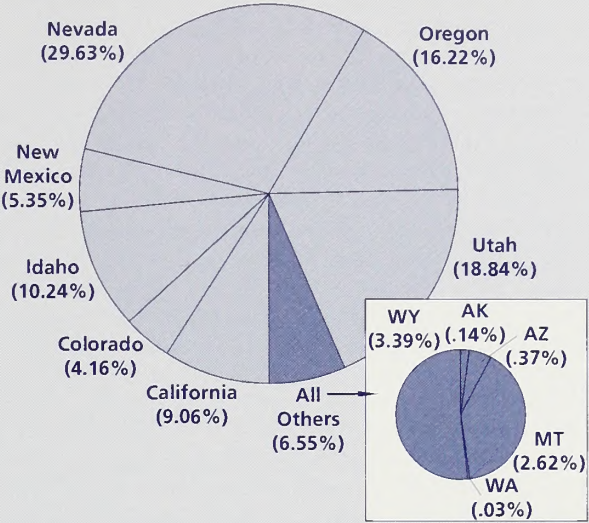


Figure 3 - Percentage of Wilderness Study Area Acreage by State



The National Wilderness Preservation System was created by the Wilderness Act of 1964. A wilderness area is an area designated by Congress to assure that increasing populations, expanding settlement, and growing mechanization do not occupy and modify all areas of the United States. Designations ensure that certain lands are preserved and protected in their natural condition. In contrast to those areas where man and his works dominate the landscape, wilderness is where the earth and its community of life are untrammelled by man, where man himself is a visitor who does not remain.

National Conservation Areas: The BLM manages eight National Conservation Areas (NCAs) totaling almost 12 million acres. Congress designates NCAs so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas by enjoying their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. Table 4 shows the name, location, and acreage of BLM's eight National Conservation Areas.

Table 4 - Name, Location, and Acreage of National Conservation Areas

National Conservation Area	Location	Acreage
Steese NCA	Alaska	1,200,000
San Pedro Riparian NCA	Arizona	56,400
Gila Box Riparian NCA	Arizona	20,767
King Range NCA	California	56,025
California Desert NCA	California	9,500,000
Snake River Birds of Prey NCA	Idaho	484,873
Red Rock Canyon NCA	Nevada	112,125
El Malpais NCA	New Mexico	262,000

National Recreation Areas: A National Recreation Area is an area designated by Congress to assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. The White Mountains National Recreation Area in Alaska encompasses 1 million acres and is named for its unusual jagged white limestone ridge line. One of its most prominent features is a 127-mile National Wild River segment of Beaver Creek that flows from the high alpine tundra of Mount Prindle.

National Historic Trails: The National Historic Trails designated by Congress and managed by the BLM are part of a national treasure that benefits all Americans. National Historic Trails are established to identify and protect historic routes; they follow as closely as possible the original trails or routes of travel of national historic significance. Congressional designation identifies and protects historic routes and their historic remnants and artifacts for public use and enjoyment.

The BLM manages more than 3,500 miles along eight National Historic Trails, more than all other Federal

agencies combined. These eight trails are the Iditarod, Juan Bautista De Anza, California Immigrant, Nez Perce, Lewis and Clark, Oregon, Mormon Pioneer, and Pony Express.

In 1999, the BLM broke ground for its new National Historic Trails Center in Casper, Wyoming. Scheduled to open in August 2001, the Center will interpret for visitors the stories of those who traveled along the California Immigrant, Mormon Pioneer, Oregon, and Pony Express National Historic Trails. In addition, the BLM in Alaska worked with partners in 1999 to establish a nonprofit organization called the Iditarod National Historic Trail, Inc. This new organization will assist the BLM in maintaining and managing the Iditarod Trail. The BLM also completed rebuilding and stabilization work on historic structures along the Iditarod National Historic Trail.

National Scenic Trails: The National Scenic Trails, also established by an Act of Congress, are intended to provide for maximum outdoor recreation potential and for the conservation and enjoyment of nationally significant scenic, historical, natural, and cultural qualities of the areas through which these trails pass. National Scenic Trails may be located to represent desert, marsh, grassland, mountain, canyon, river, forest, and other areas, as well as land forms that exhibit significant characteristics of the physiographic regions of the Nation. The BLM manages almost 600 miles along two National Scenic Trails – the Continental Divide National Scenic Trail and the Pacific Crest National Scenic Trail.

The 3,100-mile Continental Divide National Scenic Trail stretches from Canada to Mexico, along the spine of the Rocky Mountains, through some of the most breathtaking and challenging country in America. The Trail crosses approximately 460 miles of BLM-managed public lands in Montana, Idaho, Wyoming, Colorado, and New Mexico. In addition to BLM-managed public lands, the Trail travels through 25 National Forests, passes through three units of the National Park Service, and crosses Indian Reservations and parcels of state and private property.

The Pacific Crest National Scenic Trail, stretching 2,600 miles from Canada to Mexico, traverses some of the most magnificent back country in the states of Washington, Oregon, and California. The Trail treks over hills and through valleys, ranging in elevation from near sea level at the Columbia River to more than 13,000 feet near Mount Whitney. The path wanders across canyons, meanders by lakes, climbs mountain passes, and navigates through arid desert. A significant 42 mile section in southern Oregon is managed by the BLM.

National Outstanding Natural Areas: National Outstanding Natural Areas are protected lands designated either by Congress or administratively by an agency



Sunset at Yaquina Head Outstanding Natural Area in the Salem District, Oregon. (Photo by Tom Iraci, USFS)

to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection and/or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. The BLM manages one such area, the Yaquina Head National Outstanding Natural Area, consisting of 100 acres.

The Yaquina Head National Outstanding Natural Area located in Newport, Oregon, was established by Public Law 96-199 on March 5, 1980. Yaquina Head encompasses a mile long by one-half mile wide headland that juts due west into the Pacific Ocean. It is dominated by the Yaquina Head Lighthouse, a National Historic Register structure. The natural resources include one of four Marine gardens in Oregon, one of the largest seabird rookeries on the Pacific coast, the world's only manmade handicapped-accessible tidepools (in a restored quarry), marine mammal resting sites, and gray whale viewing, as well as bird and wild flower viewing opportunities in the uplands.

Yaquina Head has been designated as a Globally Important Bird Area by the American Bird Conservancy and the National Audubon Society. The area, which is bordered by sheer cliffs rising 100 feet or more above the ocean, features sea caves and numerous off-shore rocks and islands, making the site spectacular to view under all weather conditions.

Lake Todatonten Special Management Area: The U.S. Congress authorized the creation of the Lake Todatonten Special Management Area – a 37,579-acre parcel of public land in Interior Alaska for the protection of fish, wildlife and habitat – in its Omnibus Parks and Public Lands Management Act of 1996 (Public Law 104-333). The area was withdrawn by Public Land Order No. 7372 on December 15, 1998.

Lake Todatonten, the central feature of this special management area, measures 3½ miles long and covers 3,500 acres. This shallow lake is particularly important to waterfowl, which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and furbearers.

Residents of four Alaska Native villages near the area are the primary users, since there are no roads to this marshy area. The rural residents hunt, fish, and trap in the area, mostly in the winter, when it can be reached by snowmachine or dog team via the 100-mile Allakaket to Tanana winter trail, which passes near the lake. The Alaska National Interest Lands Conservation Act (ANILCA) of 1981 gave rural residents subsistence preference for natural resources on federally managed lands.

The designation of the special management area included the establishment of a local advisory committee of

rural village residents who use the area for subsistence hunting and fishing. The BLM will consult with this committee before authorizing new activities in the area. The BLM will also work closely with the U.S. Fish and Wildlife Service since the Lake Todatonten Special Management Area is adjacent to the Kanuti National Wildlife Refuge and many of the waterfowl use both places for their summer activities.

National Scenic Areas: The BLM manages one national scenic area: the Santa Rosa Mountains National Scenic Area in California, which encompasses approximately 101,000 acres. This area was designated by the Secretary of the Interior in 1990 to provide for the conservation, protection, and enhancement of scenic, recreation, and pastoral values.

Herd Management Areas: The Wild Free-Roaming Horse and Burro Act of 1971 requires that wild free-roaming horses and burros be considered for management where they were found at the time Congress passed the Act. The BLM identified 264 areas of use as herd areas, and then established Herd Management Areas (HMAs) for wild and free-roaming horses and burros through its land use planning process. The BLM manages 200 HMAs in ten western states: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, and Wyoming. The current population of wild horses and burros on public lands in these states is approximately 47,400 animals, with just over 50 percent of these animals located in Nevada. Wild burros are primarily found in the Mojave desert in Arizona, California, and southern Nevada.



The BLM conducts a census of each of the approximately 200 herd management areas on a rotating basis, usually every three to four years. Current census figures estimate there to be 42,113 wild horses and 5,263 wild burros on public lands managed by the BLM. (BLM photo)

Approximately 36 million acres of land has been designated for these wild and free-roaming animals. Through the evaluation of rangeland monitoring and census data for HMAs, the BLM establishes an appropriate management level for wild horses and burros in balance with other rangeland uses. As the health of the land improves, the health of the herds is improving as well.

The BLM has designated four wild horse and burro ranges. There are three wild horse ranges, one each in Colorado, Montana and Nevada, and one wild burro range in Nevada. The Bureau manages these ranges principally, but not necessarily exclusively, for the welfare of wild horses and burros, in keeping with the multiple use management concept for the public lands.

National Monuments: A National Monument is an area designated to protect objects of scientific and historic interest by public proclamation of the President under the Antiquities Act of 1906, or by the Congress for historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest situated upon the public lands; designation also provides for the management of these features and values. The BLM manages one monument.

Grand Staircase-Escalante National Monument, created by Presidential Proclamation on September 18, 1996, is a dramatic, multi-hued landscape that is rich in natural and human history. Extending across 1.9 million acres of Utah public lands managed by the BLM, the Monument represents a unique combination of archaeological, historical, paleontological, geological, and biological resources. The Monument is unique among the public lands of the United States. Its size and geology, along with the scientific value of its lands, set it apart from other national monuments.

Areas of Critical Environmental Concern: Areas of Critical Environmental Concern (ACECs) are areas where special management is needed to protect important historical, cultural, scenic, and natural areas, or to identify areas hazardous to human life and property. A total of 740 ACECs encompassing more than 13 million acres have been designated on the public lands nationwide. Approximately 7 million acres of this total have been designated to protect their biological resource values. Table 5 shows the location, number, and acres of ACECs, which are designated and protected through the land use planning process.

National Natural Landmarks: The BLM manages 43 National Natural Landmarks encompassing close to 600,000 acres of public land. These special management areas are of national significance because they represent one of the best known examples of a natural region's characteristic biotic or geologic features.

National Natural Landmarks must be located within the boundaries of the United States or on the Continental

Shelf and are designated by the Secretary of the Interior. To qualify as a National Natural Landmark, the area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

Research Natural Areas: Research Natural Areas are special management areas designated either by Congress or by a public or private agency to preserve and protect typical or unusual ecological communities, associations, phenomena, characteristics, or natural features or processes for scientific and educational purposes. They are established and managed to protect ecological processes, conserve biological diversity, and provide opportunities for observation for research and education.

Research Natural Areas may be designated separately or as a part of other administrative designations such as Areas of Critical Environmental Concern. Research proposals and activities may be allowed if they do not interfere with natural processes. These areas may consist of diverse vegetative communities, wildlife habitat, unique geological formations, cultural resource values, and other values identified by physiographic province as outlined in state or agency natural heritage planning documents. The BLM manages 152 Research Natural Areas comprising over 347,000 acres.

Table 5 - Areas of Critical Environmental Concern

State	Number of ACECs	Number of Acres
Alaska	29	5,909,201
Arizona	49	659,501
California	120	1,363,829
Colorado	66	623,286
Eastern States	1	54
Idaho	79	517,479
Montana	27	117,636
Nevada	30	1,006,632
New Mexico	86	510,946
Oregon	168	609,951
Utah	47	1,097,619
Wyoming	38	695,695
Totals	740	13,111,829

Table 6 - Net Change in Natural Heritage Designations

Special Management Area	Net Change in Number	Net Change in Total Acres	Net Change in Total Miles
National Wild and Scenic Rivers		+41,780	
Wilderness Areas		+320	
National Historic Trails			+ 3
Lake Todatonten Special Management Area	+1	+37,579	
Herd Management Areas	-1	+2,901,183	
Grand Staircase-Escalante National Monument		-20,000	
Areas of Critical Environmental Concern	+1	+1,800	

National Recreation Trails: National Recreation Trails do not require congressional approval; they are established administratively by the Secretary of the Interior. These trails are intended to provide for a variety of outdoor recreation uses in or reasonably close to urban areas. They often serve as connecting links between the National Historic Trails and National Scenic Trails. More than 800 National Recreation Trails currently exist nationwide.

The BLM manages over 400 miles along 26 National Recreation Trails. The Bureau's National Recreation Trails encompass incredibly diverse landscapes, from the depth of Horsethief Cave in Wyoming to the 9,000-foot crest of Bald Mountain in Idaho. National Recreation Trails range in length from 0.5 mile to 150 miles.

National Back Country Byways: The BLM manages 64 designated National Back Country Byways totaling over 3,500 miles in 11 states. The Back Country Byway program was developed by the BLM to complement the National Scenic Byway program. BLM's Byways show enthusiasts the best the West has to offer--from the breathtaking thunder of waterfalls to geology sculpted by ancient volcanoes, glaciers, and rivers. Back Country Byways vary from narrow, graded roads, passable only during a few months of the year, to two-lane paved highways providing year-round access.

BLM's Back Country Byways provide outstanding recreation opportunities on public lands, ranging from soaring mountains and alpine meadows to sagebrush prairie and saguaro cactus desert. Many of these routes are remote and little-known, providing solitude and spectacular scenery.

Back Country Byways explore Oregon's lush Coast Range, thread over Colorado's lofty San Juan Mountains, follow Lewis and Clark's epic journey across Montana and Idaho, pass ancient Anasazi petroglyphs in Utah, and border the Rio Grande's wild gorge in New Mexico. Travelers can find deserted forts, ghost towns, fossils, wildlife, hot springs, and dormant volcanoes along these narrow ribbons through the Nation's public lands.

Globally Important Bird Areas: Globally Important Bird Areas (IBAs) consist of a network of sites and areas in North America identified and protected to maintain naturally occurring bird populations across the ranges of those species. IBAs are important for maintaining critical habitats and ecosystems. This network of areas encompasses lands critical to the conservation of some bird species and may include the best examples of the species' habitat. IBAs help ensure species' survival.

The BLM manages two IBAs encompassing approximately 56,500 acres: the San Pedro Riparian National Conservation Area in Arizona and the Yaquina Head National Outstanding Natural Area in Oregon.

NET CHANGE IN NATURAL HERITAGE ASSETS FROM 1998 TO 1999

Table 6 above provides the net change in natural heritage designations from fiscal year 1998 to fiscal year 1999.



Thick stands of cottonwoods and riparian habitat line the San Pedro River, making it one of the most popular recreation spots in southwestern Arizona (BLM photo)

Museum Collections

Museum collections under BLM's stewardship consist principally of archaeological, historical and paleontological materials which are managed to professional standards, in compliance with applicable laws, and are accessible to appropriate publics.

- *Archaeological and Historical Collections* - The BLM's archaeological and historical resources (an estimated 4 to 4.5 million cultural properties) span millennia and include very early human occupation sites. These resources include districts, National Historic Trails, sites, buildings, structures, and objects from past human life and activities that are significant to the history, architecture, archaeology, engineering, and culture of America. They all contribute to our understanding of the historical and cultural foundations of our Nation. Collections have been made under permit from these resources for over 90 years.
- *Paleontological Collections* - Paleontological materials – the fossilized remains or traces of dinosaurs, extinct plants, mammals, fish, insects, and other organisms from the distant past – are another important source of museum collections that originate from BLM-managed lands. The public lands have served as our Nation's greatest outdoor laboratory and classroom for investigating the fascinating history of life on earth. Fossils from the public lands have contributed significantly to scientific research and public education. Nearly 20 percent of the presentations at the international Society of Vertebrate Paleontology involve specimens collected on public lands. Many of the earliest described and most widely known dinosaurs, such as Apatosaurus, Stegosaurus, and Allosaurus, were excavated from BLM land.

COLLECTIONS IN NON-FEDERAL FACILITIES

Scientific investigations, beginning with the Lewis and Clark expedition in 1804, have been conducted on the vast acreage of Federal land. Millions of objects have been excavated and collected, with most of them being transported to hundreds of non-Federal facilities such as universities, museums, and historical societies. It was not until 1906 that permits were issued for excavations under the Antiquities Act and not until the mid-1980s that the BLM was delegated permitting authority.

Most collections originating from BLM managed land are housed today in non-Federal facilities throughout

the country. To date, the BLM has identified 190 professional facilities in 34 states and Canada where untold millions of objects originating from the public lands reside: 123 holding archaeological materials, 85 holding paleontological materials, 6 holding historic materials, 4 holding biological materials, 2 holding ethnological materials, and 1 holding artwork (with some facilities holding more than one type of material).

Among Federal agencies, the BLM is in the unique and unenviable position of having stewardship responsibility for the largest number of museum collections in non-Federal facilities in the Department. This responsibility stems from requirements that museum collections removed from the public lands be held in public trust.

Because a large number of BLM museum collections are housed in non-Federal facilities, the relationship with these curatorial facilities is crucial to the continued management and protection of these collections. These institutions provide access to researchers and scientists, develop public displays utilizing these collections, and, in the eastern United States, make collections accessible to segments of the population that might not otherwise be able to view such materials.

COLLECTIONS IN FEDERAL FACILITIES

Outside of the millions of objects residing in non-Federal facilities, the BLM curates approximately 3.5 million objects in three BLM facilities: the Anasazi Heritage Center (AHC) in Dolores, Colorado, transferred to BLM management in 1988; the Billings Curation Center (BCC) in Billings, Montana, established in 1984; and the National Historic Oregon Trail Interpretive Center (OTC) in Flagstaff Hill, Oregon, opened in 1992. It is the policy of the BLM that museum collections not be housed in Bureau field offices.

Anasazi Heritage Center (AHC)

The AHC is the Bureau's only collections facility and museum. It features the Anasazi (ancestral Puebloan) culture as well as other cultures of the Four Corners region. The museum has permanent exhibits, archaeological sites, special exhibits and events, traveling exhibits, educational resources for teachers, archaeological research collections, and an excellent interactive website (www.co.blm.gov/ahc). In 1999, the Center hosted 31,165 visitors and 229 researchers.

At the close of fiscal year 1999, AHC collections were estimated to consist of approximately 3 million specimens (principally archaeological materials, along with some historic and paleontological materials), as well as 1,600 linear feet of associated documentation and records. Presently, collections at AHC occupy an area of approximately 7,000 cubic feet. This year the AHC

received one of the highly competitive "Save America's Treasures" grants.

Billings Curation Center (BCC)

A much smaller entity, BCC was established to curate artifacts collected from public lands in Montana and North and South Dakota. The primary objectives of BCC are to assist these three BLM states in complying with the Native American Graves Protection and Repatriation Act (NAG-PRA), and to ensure collections (which are representative of nearly 12,000 years of prehistory and history in the Northern Plains) and associated records serve scientific researchers, the BLM, and other Federal agency personnel. The Center has no gallery spaces, but it did host six researchers in 1999. This year an interactive web site for the center was inaugurated (www.mt.blm.gov/bcc).

At the close of fiscal year 1999, BCC collections were estimated to consist of approximately 500,000 specimens (principally archaeological specimens, along with some historic materials), as well as 315 linear feet of associated documentation and records. Approximately 236,000 objects or lots have been cataloged. Presently, collections at BCC occupy an area of approximately 1,769 cubic feet. The Center is valued as an important research and management tool.

Oregon Trail Center (OTC)

The OTC features exhibits, living history areas (including pioneer encampment and mining), a theater, an outdoor amphitheater, interpretive trails, and a picnic area. It provides majestic scenery and unique vistas of the historic ruts of the Oregon Trail. The Center's goal is to interpret the story of the Oregon Trail and its impact on western American history. This is achieved, in great part, through the use of artifacts. Artifacts, along with artwork, text, videos, sound effects, and dioramas, present well-rounded, fact-filled exhibits and programs. In 1999, the Center hosted 88,399 visitors. The Center also provides research for mail and telephone requests and maintains an excellent interactive website (www.or.blm.gov/INHOTIC).

At the close of fiscal year 1999, OTC collections were estimated to consist of approximately 1,520 specimens (principally archaeological materials, along with historic materials and some natural history materials), as well as approximately six linear feet of associated documentation and records. Collections occupy an area of approximately 800 square feet. The OTC has provided a rewarding and educational experience for its many visitors.

PARTNERSHIPS WITH NON-FEDERAL CURATION FACILITIES

Because most of the collections originating from BLM-managed lands are housed in non-Federal facilities, it is

only through partnerships with these professional institutions that the Bureau can realize its goal of ensuring that these collections are available and accessible to the public. These non-Federal facilities provide expertise and access, while the Bureau provides funding and materials.

Museum Partnership Program: Seven museum projects have been funded under this program for producing exhibits, finding guides, web pages, symposia, and catalogs. The museums involved are the San Diego Museum of Man, Western Wyoming College, the New Mexico Museum of Natural History and Science, the Arizona State Museum, the Society for Vertebrate Paleontology, the American Museum of Natural History, and the University of Wyoming Geological Museum.



The Anasazi Heritage Center is visited by over 5,000 school children every year. (BLM photo)



Oregon Trail marker at Milner, Idaho. (BLM photo)

State Office Funding: In FY 1999, funding was provided by BLM State Offices for curation, exhibit production, symposia, catalogs, and collection upgrades through Assistance Agreements, Memoranda of Understanding, Purchase Orders and Task Orders. Partners included the University of Alaska Museum, Maturango Museum, Museum of Western Colorado, Museum of the Rockies, Nevada State Museum, Elko County Museum, Museum of New Mexico, BYU Museum of Peoples and Culture, College of Eastern Utah, Field House Museum Vernal, Edge of Cedars State Park Museum, Southern Utah University, Utah Museum of Natural History, Washington State University, and South Dakota School of Mines Geology Museum.

NUMBER OF FACILITIES AND CONDITION OF MUSEUM COLLECTIONS

Table 7 summarizes the number of facilities holding collections from BLM public lands and the condition of these heritage assets.

Table 7 - Number of Facilities and Condition of Museum Collections

Location	Number of Facilities	Condition
Federal Facilities	3	Acceptable – Safeguarded
Non-Federal Facilities	190	Unknown

BLM's museum collections and their associated records under the stewardship of the BLM are stored in professional facilities whose mission is to preserve them. Generally, museums and facilities preserve museum objects in a manner that is appropriate to the nature of the materials; that protects them from breakage and possible deterioration from diverse temperatures and relative humidities, visible light, ultraviolet radiation, dust, soot, gases, mold, fungus, insects, rodents, and general neglect; that preserves data which may be studied in future analyses; and that protects collections from fire and theft.

Detailed information on condition is not normally collected by the BLM to manage museum collections because doing so is considered prohibitively expensive and is not part of general professional methodology.

The condition of BLM's museum collections in Federal facilities is presumed to be acceptable unless there is proof to the contrary (e.g., breakage, noted deterioration, etc.). Acceptable condition is defined as "safeguarded," which means the following:

- collections are in secured locations,
- collections are managed consistent with their intended uses (some of the most common, but not the only, uses include research, exhibition, interpretation, and education), and
- their condition has not been materially degraded; i.e., the condition of the individual specimens in the collection is similar to when they were originally deposited in the facility.

This definition is predicated on the fact that all museum objects will ultimately deteriorate over time with use. The goal of safeguarding museum objects is to preserve them for as long as possible and to manage their condition during their intended use so as not to unduly hasten their deterioration.

Although the BLM believes that museum collections in non-Federal facilities are being properly safeguarded, their actual condition is unknown. Archaeological, historical, and paleontological materials have been removed from public lands for over 200 years. Most of these objects have been placed in non-Federal facilities for curation. The BLM has located 190 of these repositories across the United States and Canada.

NET CHANGE IN MUSEUM COLLECTIONS FROM 1998 TO 1999

Approximately 99 percent of all museum collections originating from BLM-administered lands are housed in non-Federal facilities that the Bureau has limited control over and limited access to. Due to limited resources, the BLM provides little or no funding to these facilities and can therefore require little of them. The facilities themselves have limited resources and limited information regarding individual numbers of objects added to collections.

It has never been general museum practice to perform annual inventories of museum collections. In addition to being prohibitively costly, annual inventories would provide information that contributes nothing to the educational or research value of the objects, and would ultimately damage the very objects we seek to preserve. As a result of all of these factors, it has never been the practice of the BLM to collect inventory data.

Given the fact that collections increase yearly as a result of the constantly permitted excavations and projects that occur on the public lands, the BLM can state there has been a net increase in the number of collections. Since BLM does not dispose of, deaccession, or destroy museum collections, it can be stated that there has not been a net decrease in collections.

Paleontological and Cultural Heritage Properties

Lands administered by the BLM are some of the most culturally diverse and scientifically important lands managed by any Federal agency. The Bureau is responsible for protecting and preserving paleontological localities and archaeological and historical sites, as well as the museum objects excavated or collected.

PALEONTOLOGICAL PROPERTIES

The BLM considers fossils to be resources in its management of all public lands. Under the general guidance of FLPMA and NEPA, fossils are managed to promote their use in research, education, and recreation. More than 50 properties totaling nearly 300,000 acres, including Areas of Critical Environmental Concern (ACEC), Research Natural Areas, and other special management areas, are managed wholly or in part for paleontological values. One new ACEC, the Red Gulch Dinosaur Tracksite, was established in 1999. It features nearly 1,000 tracks of small meat-eating dinosaurs that walked along a beach in Wyoming some 165 million years ago when half the continent was covered by oceans.

The BLM manages a number of interpreted areas for their paleontological resources, including the Cleveland-Lloyd Dinosaur Quarry in Utah; the Trail Through Time in Colorado; the Paleozoic Trackway near Las Cruces, New Mexico; the Trilobite Trail in Nevada; and the Red Gulch Dinosaur Tracksite in Wyoming. Almost all other public lands are accessible to the public for the recreational collection of common invertebrate and plant fossils, as well as limited amounts of petrified wood.

CULTURAL PROPERTIES

The BLM manages the largest, most varied, and scientifically most important body of cultural resources of any Federal land managing agency. These resources, which represent BLM's "Great Outdoor Museum," span virtually the entire spectrum of human experiences since people first set foot on the North American continent more than 12,000 years ago. This "Great Outdoor Museum" provides a unique opportunity for the BLM to document the full sweep of western prehistory and history, to tell the complete story of people on the western lands. No other Federal land management agency can make this claim.

To date, almost 228,000 archaeological and historical resources have been recorded on the roughly 13.9 million acres of public lands that have been inventoried, which represents more than 5 percent of all lands

administered by the BLM. Projecting these estimates to the entire 264 million acres of BLM-administered lands works out to an estimated 4 to 4.5 million potential archaeological and historical properties on the public lands. These sites range from 12,000-year-old mammoth kill sites associated with Paleoindian hunters to prehistoric complexes of Anasazi pueblos and cliff dwellings; through Spanish and Russian period exploration and settlement sites; to Western frontier forts with evidence of "buffalo" soldiers, Gold Rush era cabins, and more recent historic sites documenting westward migration, mining, ranching, railroading, and even WWII and Cold War military sites.

Currently, the BLM has 255 listings on the National Register of Historic Places that encompass 3,610 contributing properties, as well as 22 National Historic Landmarks and 5 World Heritage properties. Portions of 8 National Historic Trails covering 3,500 miles cross the public lands, while at least 5,000 additional miles occur along 10 nondesignated historic trails. Standing structures, very conservatively estimated at 1,500, include prehistoric pueblos; cliff dwellings; antelope, bighorn sheep, and fish traps; agricultural features; historic-



BLM's National Applied Resource Sciences Center and the University of Wyoming's Geological Museum are using close-range photogrammetry to study and document the dinosaur tracks at the Red Gulch Dinosaur Tracksite in Wyoming. (BLM photo)

period mining structures (such as smelters, mill sites, arrastras, and charcoal kilns); ranch buildings; adobe forts; stage stops; townsites; lighthouses; cabins; a salt tram; and depression-era schoolhouses.

Five BLM sites having international significance have been added to UNESCO's World Heritage List. UNESCO's World Heritage program was established in 1972. Its purpose is to identify and protect outstanding natural and cultural properties against the threat of damage in a rapidly developing world. To add sites to the World Heritage List, governments of countries where the sites are located submit their applications to the World Heritage Committee.

The 21-member Committee has to evaluate a site's merits according to rules set up by the World Heritage Convention. Factors that must be considered include the following:

- Is the site a unique geological formation like the Grand Canyon?
- Is it an important cultural place like Stonehenge?
- Most importantly, is the site in need of protection and preservation?

There are more than 500 sites on the World Heritage List today. Some sites on the World Heritage List are surprising: the city of Brasilia, the capital of Brazil, for example, which was built less than 50 years ago, or the Auschwitz Concentration Camp in Poland. Sometimes a place that is worth saving is important not just for how it appears, but also for what it represents.

Five BLM Chacoan Outliers located in northwest New Mexico were added to the World Heritage List in 1987 in conjunction with the listing of the National Park Service's Chaco Culture National Historical Park. The Park contains the most important remains of the Chaco culture, which was at its height between 1020 and 1110 A.D. This culture was characterized by a very elaborate system of urban dwellings surrounded by villages and linked by a network of roads. The BLM Chacoan Outliers included in the World Heritage List are Casamero, Kin Nizhoni, Pierre's Site, Halfway House, and Twin Angels.

Table 8 summarizes the number and condition of the cultural properties under BLM's stewardship.

"Adventures in the Past" is BLM's umbrella program for promoting public education and awareness and for encouraging public participation in protecting archaeological and historical resources. The goals of "Adventures in the Past" include increasing public appreciation and knowledge of archaeological and his-

Table 8 - Number and Condition of Cultural Properties

Type of Cultural Property	Number of Properties ¹	Condition ²
National Historic Landmarks	22	Acceptable
National Register of Historic Places	255 Listings 3,610 Contributing Properties	Acceptable
World Heritage Properties	5	Acceptable
Recorded but Unassessed for Listing	227,993 ³	Acceptable

¹ The BLM does not use cultural properties in its day-to-day government operations.

² Refer to the "Condition of Cultural Properties" section of this report.

³ Thousands of archaeological and historical sites have been recorded on the public lands. Most of these have not been assessed for eligibility for listing on the National Register of Historic Places.

torical resources, promoting public stewardship of these resources, and reducing the threat to these resources. These goals have their basis in law. "Adventures in the Past" responds to Section 10c of the Archaeological Resources Protection Act. This law requires Federal agencies to develop outreach programs to explain the importance and value of the Nation's cultural legacy, and to enlist the public's assistance in cultural resource protection.

The BLM's national historic preservation program is founded in part on the following policy statements contained in Section 2 of the National Historic Preservation Act: "It shall be the policy of the Federal Government, in cooperation with other nations and in partnership with the states, local governments, Indian Tribes, and private organizations and individuals to . . . administer federally owned, administered, or controlled prehistoric and historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations."

CONDITION OF CULTURAL PROPERTIES

National Historic Landmarks: The National Historic Landmarks program is administered by the Secretary of the Interior through the National Park Service (NPS) under the Historic Sites Act of 1935; regulations for the program are in 36 CFR Part 65. Candidate Landmarks are identified by NPS staff, evaluated and recommended by an appointed Advisory Board, and designated by the Secretary to recognize their outstanding historical, architectural, or archaeological value and significance at a national level. Landmark designation does *not* create units of the National Park System.

Many Landmarks, particularly in the West, have mixed ownership. Private and other non-Federal Landmarks are generally maintained according to owners' agreements with the National Park Service. Maintenance of Federal Landmarks and Federal portions of mixed-ownership Landmarks is the

responsibility of the land-managing agency. Twenty-two National Historic Landmarks involve BLM-managed lands and, as steward, the Bureau places a high priority on protecting Landmarks from deterioration or harm.

Each year the Secretary provides the Congress with a listing of damaged or threatened National Historic Landmarks, as required by Section 8 of Public Law 94-458. This listing does not differentiate according to ownership when any portion of a Landmark is judged to be subject to threat. Of the Landmarks identified in the current listing where there are some BLM-managed lands involved, the BLM-managed portions of the Landmarks are not actively at risk. Landmark condition is carefully monitored by BLM's field offices. When active threats are present, appropriate physical or administrative protective measures are applied promptly.

Significant historic properties on BLM-managed public lands, including National Historic Landmarks, are



Garnet Ghost Town, located 30 miles east of Missoula, is cooperatively managed by BLM and the Garnet Preservation Association. (BLM photo)

predominantly archaeological properties that have been unused and unoccupied for hundreds or thousands of years. A smaller percentage of historic properties on the public lands consist of the physical remains of failed settlements, abandoned mines, and similar boom-or-bust developments dating to the past 150 years. Inescapably, such historic resources are in a continuous state of deterioration.

The BLM's cultural resource management program was developed in the 1970s to respond to the National Historic Preservation Act of 1966 and Executive Order 11593 of 1971. The most important known properties, including National Historic Landmarks, are afforded the highest attention.

The BLM's cultural resource management program does not include an element called "condition assessment survey." However, historic properties are evaluated continuously, and monitoring the rate of natural and human-caused deterioration – adjusting protection methods and priorities accordingly – is the most commonly applied protection measure where significant properties are known to exist.

All Other Cultural Properties: The condition of the almost 228,000 recorded archaeological and historic sites on the public lands ranges from nonexistent (the site was recorded, assessed, and then destroyed) to excellent. Most of the public lands inventoried in any given fiscal year (500,000 acres on average) are examined in response to requests by land use applicants to undertake a land disturbing activity. Section 106 of the National Historic Preservation Act requires that any project requiring a Federal approval, license, or money be reviewed for its potential effect on any listed or eligible National Register of Historic Place property. Since only a little more than 5 percent of the public lands have been inventoried to date and most National Register-eligible sites have not yet been identified, the

area of potential impact must generally be inventoried before project approval.

The preferred course of action when a proposed project may affect an archaeological or historic site is to avoid it, particularly if the site is of national significance or is a designated National Historic Landmark. On some projects, particularly larger ones, it is not always possible to avoid National Register-eligible sites that are important primarily for the scientific information they contain. Consequently, in any given year, the effects of projects on an unknown number of sites are mitigated.

In most instances, mitigation involves either site recordation or excavation of a small percentage of a site. At that point, what remains of the site can be destroyed without further examination. In the years since the National Historic Preservation Act was passed in 1966, many hundreds, if not thousands, of sites have been destroyed subsequent to project mitigation or without mitigation because the information they contain is redundant (i.e., similar information has previously been obtained from similar sites). Consequently, an unknown percentage of the archaeological and historic sites recorded on the public lands no longer exist.

NET CHANGE IN PALEONTOLOGICAL AND CULTURAL HERITAGE PROPERTIES FROM 1998 TO 1999

During fiscal year 1999, an additional 7,184 archaeological and historical sites were recorded, along with a prior year adjustment of 9, for a net increase of 7,193. The number of National Register of Historic Places listings increased by seven, while the number of contributing properties decreased by 15 as a result of re-inventory.

Deferred Maintenance

THE BLM PURCHASES OR CONSTRUCTS INFRASTRUCTURE ASSETS SUCH AS BUILDINGS, DAMS, RECREATION FACILITIES, ADMINISTRATIVE FACILITIES, AND TRANSPORTATION SYSTEMS CONSISTING OF ROADS, TRAILS, AND BRIDGES.

These assets permit the enjoyment and use of the public lands for recreation, revenue generation, and other purposes. There is, however, a significant amount of deferred maintenance resulting from a lack of sufficient funding to conduct scheduled repairs and preventative maintenance.

The BLM tracks infrastructure assets in the Facility Inventory Maintenance Management System (FIMMS). The dollar amount of deferred maintenance is estimated by BLM State or District engineers, with assistance from recreation planners, based on condition assessment and is entered and tracked in FIMMS by data element. Assets subject to deferred maintenance are grouped in four categories: (1) administrative sites and buildings, (2) recreation sites and buildings, (3) roads and trails, and (4) dams, bridges, and culverts.

BLM employees perform condition assessment surveys on a cyclical basis by category and update FIMMS with the current information. Condition assessments are performed to determine the fitness of the facility as evaluated against the maintenance level established by management. The level of fitness is determined by four categories: (1) good, (2) fair, (3) poor, and (4) unsatisfactory.

FIMMS was originally designed as an inventory tool to support and justify BLM's appropriation request. Cost estimates entered in previous years were for engineering use and budget formulation, not financial reporting purposes. Beginning in fiscal year 1998, the BLM has been completing a significant number of condition assessments to improve the data integrity in FIMMS by having more current data supported by written documentation.

Even though the Bureau continues to strive to make improvements to the data, there continues to be a need to complete/update road and trail inventories and to reduce data entry errors. Given the need for these additional improvements, the FIMMS data either overstates or understates actual costs.

Given the above, it is unlikely that an accurate estimate of cost can be attained with any assurance. As of September 30, 1999, the deferred maintenance recorded in FIMMS totals approximately \$275 million. The BLM estimates that the total amount of deferred maintenance could be within the \$100 million to \$500 million range.

Deferred Maintenance (dollars in thousands)

Grouped by Category	General Property, Plant, and Equipment	Stewardship Assets
Administrative Sites and Buildings	\$ 33,000	\$ 1,000
Recreation Sites and Buildings	48,000	5,000
Roads and Trails	0	164,000
Dams, Bridges, and Culverts	0	24,000
Total	\$81,000	\$194,000



Pompey's Pillar National Historic Landmark in south-central Montana.

Independent Auditors' Report



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

MAY 18 2000

INDEPENDENT AUDITORS REPORT

Memorandum

To: Director, Bureau of Land Management

Subject: Independent Auditors Report on Bureau of Land Management Financial Statements for Fiscal Years 1999 and 1998 (No. 00-I-448)

SUMMARY

In our audit of the Bureau of Land Management's (BLM) financial statements for fiscal year 1999, we found the following:

- The principal financial statements were fairly presented in all material respects. BLM's principal financial statements consist of the Consolidated Comparative Statements of Financial Position as of September 30, 1999 and 1998 and the Consolidated Comparative Statements of Net Cost and Changes in Net Position and Combined Comparative Statements of Budgetary Resources and Financing for the fiscal years ended September 30, 1999 and 1998.

- We identified an internal control weakness that we consider to be a reportable condition, which was in the area of cash management.

- We identified a noncompliance issue that is required to be reported concerning the Federal Financial Management Improvement Act of 1996. In addition, our tests of compliance with laws and regulations identified noncompliance with Statement of Federal Financial Accounting Standards No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government."

Our conclusions are detailed in the sections that follow.

OPINION ON PRINCIPAL FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990, we audited BLM's principal financial statements for the fiscal years ended September 30, 1999 and 1998, as contained in BLM's accompanying 1999 Annual Report. These financial statements are the responsibility of BLM, and our responsibility is to express an opinion, based on our audit, on these principal financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget Bulletin 98-08, "Audit Requirements for Federal Financial Statements," as amended. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying principal financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the principal financial statements and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management. We believe that our audit work provides a reasonable basis for our opinion.

In our opinion, the principal financial statements (pages 28- 48) present fairly, in all material respects, the financial position of BLM as of September 30, 1999 and 1998 and its consolidated net cost and changes in net position and combined budgetary resources and outlays and financing for the fiscal years ended September 30, 1999 and 1998 in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined principal financial statements taken as a whole. The accompanying consolidating and combining information is presented for purposes of additional analysis of the consolidated and combined principal statements. The consolidating and combining financial statements for fiscal years 1999 and 1998 (pages 50-53) were subjected to the auditing procedures applied in the audit of the consolidated and combined principal financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated and combined principal financial statements taken as a whole.

In addition, the deferred maintenance and supplementary stewardship information that follows the supplemental financial statements (pages 55-75) is not a required part of the principal financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, including discussions with management, on the methods of measurement and presentation of the supplementary information. However, we did not audit the information and therefore do not express an opinion on this supplementary information.

REPORT ON INTERNAL CONTROLS

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget Bulletin 98-08.

Management of BLM is responsible for establishing and maintaining an internal control structure which provides reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the principal financial statements and required supplementary stewardship information in accordance with Federal accounting standards.

- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

- Transactions are executed in accordance with (1) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the principal financial statements or required supplementary stewardship information and (2) any other laws, regulations, and Governmentwide policies identified by the Office of Management and Budget.

- Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

Because of inherent limitations in any internal control structure, errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal controls over financial reporting to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In planning and performing our audit, we considered BLM's internal controls over financial reporting by obtaining an understanding of BLM's internal controls, determined whether these internal controls had been placed in operation, assessed control risks, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the principal financial statements and not to provide assurance on the internal controls over financial reporting. Consequently, we do not provide an opinion on internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control structure over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants and by Office of Management and Budget Bulletin 98-08, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect BLM's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted a certain matter involving the internal controls and their operation that we consider to be a reportable condition as described by the American Institute

of Certified Public Accountants and Office of Management and Budget Bulletin 98-08. However, the reportable condition is not believed to be a material weakness. The reportable condition we noted is that BLM needs improved controls over cash management.

A. BLM Needs To Improve Controls Over Cash Management

BLM did not have internal control policies and procedures to ensure that all cash collected and disbursed was under the control of BLM's financial management system. Specifically, under BLM's assembled land exchange¹ agreements, cash was collected and disbursed through escrow accounts or other third parties; however, the cash was not recorded in BLM's accounting system. Office of Management and Budget Circular A-127, "Financial Management Systems," requires agency financial management systems to be designed to include all "financial and financially related information" and "internal controls over data entry, transaction processing and reporting" to ensure that the internal controls are consistently applied throughout the system and that financial information is valid. Although the land exchange program had land exchange ledgers that included cash-related transactions, the cash-related information was not recorded in BLM's financial management system. As a result, BLM management had not provided reasonable assurance that the cash collected and disbursed from the assembled land exchange transactions was safeguarded against waste, loss, unauthorized use, or misappropriation.

When this issue was brought to management's attention, adjustments totaling \$4.3 million for fiscal year 1999 and \$6.4 million for fiscal year 1998 were made to the Funds Held in Escrow and the Deposit Funds accounts. In our opinion, the cash held in the escrow accounts or held by other third parties is at risk as long as the financial activities of the assembled land exchange program are outside the financial management system.

Recommendation

We recommend that the Director, BLM, develop and implement policies and procedures to ensure that all cash collections and disbursements are systematically recorded in BLM's financial management system when the transactions occur.

BLM Response and Office of Inspector General Reply

In the April 24, 2000, response (Appendix 1) to the draft report from BLM's Chief Financial Officer, BLM concurred with the recommendation. BLM stated that it was "developing revised policies and procedures for assembled land exchange ledgers." Based on the response, we consider the recommendation resolved but not implemented. Accordingly,

¹Assembled land exchanges include multiple parcels of Federal and non-Federal lands that are consolidated into a package for the purpose of completing one or more exchange transactions over a period of time. Additionally, competitive bid exchanges allow for competitive bidding for Federal lands being considered for disposal. Once the highest cash bid is accepted, the competitive bid exchange enters into an assembled exchange agreement.

the recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation, and BLM is requested to provide a target date and the title of the official responsible for implementing this recommendation (see Appendix 2).

STEWARDSHIP AND PERFORMANCE MEASURES

We considered BLM's internal controls over the required supplementary stewardship information (pages 55-74) by obtaining an understanding of BLM's internal controls relating to the preparation of the required supplementary stewardship information to determine whether these internal controls had been placed in operation, assessed control risk, and performed tests of these controls as required by Bulletin 98-08. However, providing assurance on these internal controls was not an objective of our audit, and accordingly, we do not provide assurance on such controls.

With respect to the internal controls related to the performance measures reported in BLM's Management's Discussion and Analysis (pages 4-27), we obtained an understanding of the design of significant internal controls related to the existence and completeness assertions, as required by Bulletin 98-08. Our procedures were not designed to provide assurance on internal controls over reported performance measures, and accordingly, we do not provide an opinion on such controls.

We also identified other internal control conditions that, in our judgment, were not required to be included in this audit report but that should be communicated to management. We will report these issues in a management letter to be issued separately.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We conducted our audit in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget Bulletin 98-08.

Management of BLM is responsible for complying with laws and regulations applicable to BLM. As part of obtaining reasonable assurance as to whether BLM's principal financial statements are free of material misstatement, we performed tests of BLM's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of amounts contained in the principal financial statements and certain other laws and regulations specified in Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act of 1996. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

Under the Federal Financial Management Improvement Act, we are required to report whether BLM's financial management system is in substantial compliance with requirements for Federal financial management systems, Federal accounting standards, and the U.S.

Government Standard General Ledger at the transaction level. To meet these requirements, we performed tests of compliance using the implementation guidance for the Federal Financial Management Improvement Act included in Appendix D of Bulletin 98-08. We identified one instance where BLM's financial management system was not in substantial compliance with the three requirements discussed in the preceding paragraph.

Compliance With Federal Financial Management Improvement Act Requirements

We found that BLM, in processing assembled land exchanges, did not comply with the requirements for Federal financial management systems, as discussed in the paragraphs that follow.

B. Noncompliance Issues Related to the Assembled Land Exchange Program

BLM's financial management system was not in compliance with the Federal Financial Management Improvement Act and other financial laws as follows:

- Executive agencies are required by 31 U.S.C. § 3512b to establish and maintain systems of accounting that provide "complete disclosure of the financial results of the activities of the agency, adequate financial information the agency needs for management purposes, effective control over and accountability for assets for which the agency is responsible, and reliable accounting results that will be the basis for . . . suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Secretary of the Treasury."

- Custodians of public money are required by 31 U.S.C. § 3302 to deposit monies with the U.S. Treasury or with a depository designated by the Secretary of the Treasury.

Subsequent to the end of fiscal year 1999, it was determined that cash held in escrow accounts or by other third parties which was used in assembled land exchanges was not recorded in BLM's financial management system (see Report on Internal Controls section). However, the amounts of \$4.3 million for fiscal year 1999 and \$6.4 million for fiscal year 1998 in the Funds Held in Escrow and the Deposit Funds accounts are reflected in BLM's financial statements. Furthermore, the custodians of this public money did not deposit the cash with the Treasury or designated depositories of the Secretary of the Treasury.

Recommendations

We recommend that the Director, BLM:

1. Integrate, to the maximum extent practicable, the financial and accounting activities of the assembled land exchange program with BLM's financial management system and the U.S. Treasury.

2. Obtain U.S. Treasury approval to use escrow or other third-party accounts as depositories for cash received and disbursed or close the escrow or other third-party accounts used by the assembled land exchange program and deposit the public monies with the U.S. Treasury.

BLM Response and Office of Inspector General Reply

In its April 24, 2000, response (Appendix 1), BLM concurred with the recommendations, stating that it was "developing revised policies and procedures for assembled land exchange ledgers." Based on the response, we consider the recommendations resolved but not implemented. Accordingly, the recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation, and BLM is requested to provide target dates and titles of the officials responsible for implementing the recommendations (see Appendix 2).

Compliance With Other Laws and Regulations

The results of our tests of compliance with laws and regulations discussed in the preceding paragraphs, exclusive of the Federal Financial Management Improvement Act, disclosed one instance of noncompliance that is required to be reported under the "Government Auditing Standards" or Bulletin 98-08.

C. Noncompliance With Managerial Cost Accounting Standards

Our tests of compliance with laws and regulations identified noncompliance with Statement of Federal Financial Accounting Standards No. 4 because BLM (1) did not have support for the assignment of costs to responsibility segments when two or more responsibility segments shared resources and (2) did not report the costs of outputs and unit costs of outputs.

Standard No. 4 requires agencies to establish responsibility segments and to measure and report the full costs of resources consumed by the segment in producing each segment's outputs. In principle, the full costs of outputs produced by a responsibility segment are to be assigned by the following methods listed in order of preference: (1) directly tracing costs wherever feasible and economically practicable, (2) assigning costs on a cause-and-effect basis, and (3) allocating costs on a reasonable and consistent basis. Full costs include the direct and indirect costs that contribute to the output regardless of funding sources. Standard No. 4 further provides that in cases where resources are shared by two or more activities, the common costs are to be assigned to activities either on a cause-and-effect basis, if feasible, or through reasonable allocations. In fiscal year 1999, BLM assigned its costs to responsibility segments by various methods. BLM assigned the majority of its costs by directly tracing costs captured at the subactivity level to the responsibility segments; however, costs of about \$470 million for 46 subactivities were not directly traceable and were allocated between two or more responsibility segments. The costs of the 46 subactivities common to more than one responsibility segment were assigned to responsibility segments using percentage estimates based on "professional judgment."

According to BLM's Chief Financial Officer, fiscal year 1999 is a "transition" year for BLM in reporting costs because BLM's budget structure and cost structure did not specifically match BLM's responsibility segments. In our opinion, the use of professional judgment to assign costs to responsibility segments was not a reasonable or consistent basis for assigning costs because the percentages were not verifiable or measurable. According to American Institute of Certified Public Accountants Professional Standards AC § 9014.18, such allocations could be deemed subjective, arbitrary, or difficult to understand by external users of financial statements and would not constitute a reasonable basis for allocation. For fiscal year 2000, BLM has implemented a new cost structure with program elements that are to be directly aligned with responsibility segments; thus, the new cost structure should correct this allocation deficiency. However, since our audit scope did not cover fiscal year 2000, we have no opinion at this time on whether the new cost structure is adequate.

For fiscal year 1999, BLM also did not comply with the provisions of Statement of Federal Financial Accounting Standards No. 4, which require that outputs produced by responsibility segments be accumulated and, if practicable, be measured in units; the full costs to produce the outputs be assigned to outputs; and costs per unit of each type of output be calculated. The purpose of cost accounting by a responsibility segment is to measure the costs of its outputs. Thus, the final cost objects of a responsibility segment are its outputs, the services or products that the segment produces and delivers, the missions or tasks that the segment performs, or the markets that the responsibility segment serves. Outputs should be systematically and periodically captured and reported through an accounting or management information system.

Recommendation

We recommend that the Director, BLM, define BLM's outputs, accumulate outputs, assign costs to outputs, calculate the unit costs of outputs, and report the information through BLM's accounting or management information system.

BLM Response and Office of Inspector General Reply

In the April 24, 2000, response (Appendix 1), BLM concurred with the recommendation, stating that its new cost management system implemented in fiscal year 2000 will "measure and report the full costs of resources consumed by each responsibility segment and its outputs." We believe that the actions taken satisfy the intent of the recommendation. Therefore, we consider the recommendation resolved and implemented (see Appendix 2).

CONSISTENCY OF OTHER INFORMATION

We reviewed the financial information presented in BLM's Management's Discussion and Analysis (pages 4-27) and supplementary information (pages 50-75) to determine whether the information was consistent with the principal financial statements. Based on our review, we determined that the information in Management's Discussion and Analysis and in the required supplementary information was consistent with the principal financial statements.

PRIOR AUDIT COVERAGE

We reviewed prior Office of Inspector General and General Accounting Office audit reports related to BLM's financial statements to determine whether these reports contained any unresolved or unimplemented recommendations that were significant to BLM's financial statements or internal controls. We found that there were no reports which contained significant unresolved or unimplemented recommendations related to BLM's financial statements or internal controls.

OBJECTIVE, SCOPE, AND METHODOLOGY

Management of BLM is responsible for the following:

- Preparing the principal financial statements and the required supplementary information referred to in the Consistency of Other Information section of this report in conformity with generally accepted accounting principles and for preparing the other information contained in BLM's 1999 Annual Report.
- Establishing and maintaining an internal control structure over financial reporting. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures.
- Complying with applicable laws and regulations.

We are responsible for the following:

- Expressing an opinion on BLM's principal financial statements.
- Obtaining an understanding of the internal controls based on the internal control objectives stated in Bulletin 98-08, which require that transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial statements and the required supplementary information in accordance with Federal accounting standards; that assets be safeguarded against loss from unauthorized acquisition, use, or disposal; and that transactions and other data that support reported performance measures be properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.
- Testing BLM's compliance with selected provisions of laws and regulations that could materially affect the principal financial statements or the required supplementary information.

To fulfill these responsibilities, we took the following actions:

- Examined, on a test basis, evidence supporting the amounts disclosed in the principal financial statements.

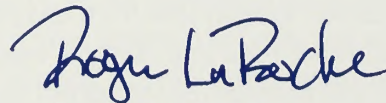
- Assessed the accounting principles used and the significant estimates made by management.
- Evaluated the overall presentation of the principal financial statements.
- Obtained an understanding of the internal control structure related to safeguarding assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; financial reporting; and certain performance measures reported in Management's Discussion and Analysis (pages 4-27).
- Tested relevant internal controls over the safeguarding of assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; and financial reporting.
- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all of the internal controls relevant to the operating objectives as broadly defined in the Federal Managers' Financial Integrity Act, such as those controls related to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls needed to achieve the objectives outlined in our report on internal controls.

Since the report's recommendations are considered resolved, no further response to the Office of Inspector General is required (see Appendix 2).

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. The Office of Inspector General also provides audit reports to the Congress.

This report is intended for the information of management of BLM and the Office of Management and Budget and for the Congress. However, this report is a matter of public record, and its distribution is not limited.



Roger La Rouche
Acting Assistant Inspector General
for Audits



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Washington, D.C. 20240

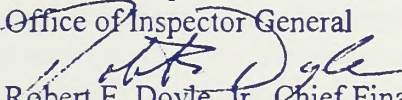
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In Reply Refer To:
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APR 24 2000

MEMORANDUM

To: Assistant Inspector General for Audits
Office of Inspector General

From: 
Robert E. Doyle, Jr., Chief Financial Officer
Bureau of Land Management

Subject: Independent Auditors Report on Bureau of Land Management Financial Statements for Fiscal Years 1999 and 1998 (Assignment No. W-IN-BLM-003-99-R)

This memorandum provides our response to your audit of the Bureau of Land Management's (BLM) Statement of Financial Position as of September 30, 1999; the related Statements of Net Cost of Operations, Changes in Net Position, Budgetary Resources, and Financing for the Fiscal Years (FY) then ended; and FY 1998 comparative information and other information presented in the Annual Report (collectively referred to as "financial statements"). It also provides our comments on the reportable condition and compliance recommendations made under paragraphs A, B, and C. We sincerely appreciate the constructive manner in which the Office of Inspector General staff worked with our National Business Center staff. The frequent professional discussions that led to many mutually acceptable solutions demonstrate effective partnering in the interest of improving our accounting practices. For those efforts, we are grateful to your team.

A. BLM Needs to Improve Controls Over Cash Management

Auditor Recommendation: We recommend that the Director, BLM, develop and implement policies and procedures to ensure that all cash collections and disbursements are systematically recorded in the BLM's financial management system when the transactions occur.

BLM Response: Concur.

The regulations for assembled land exchanges at 43 C.F.R. 2201.1-1 provide the BLM authority to establish and maintain ledger accounts to track the imbalances in land value conveyed in

assembled transactions. The regulations also provide that, where necessary, the non-Federal party may be required to provide a deposit of cash, bond, or other approved surety in an amount equal to any outstanding ledger value differential.

The BLM is in the process of developing revised policies and procedures for assembled land exchange ledgers. These policies and procedures will ensure that within the next 90 days all existing escrow accounts associated with assembled land exchange ledgers are reviewed and that all cash, bonds, or other approved sureties securing outstanding ledger value differentials are recorded in the BLM's financial management system.

The BLM is also in the process of revising policies and procedures for assembled land exchange processes in general. The BLM will involve appropriate financial staff in the policy revision process to ensure that all future assembled land exchange processes incorporate appropriate internal financial controls and safeguards. These policy and guidance revisions will be completed prior to the end of the calendar year.

B. Compliance Issues Related to the Assembled Land Exchange Program

Auditor Recommendation: We recommend that the Director, BLM:

1. Integrate, to the maximum extent practicable, the financial and accounting activities of the assembled land exchange program with the BLM's financial management system and the U.S. Treasury.

BLM Response: Concur.

See response detailed under paragraph A above.

2. Obtain U.S. Treasury approval to use escrow or other third-party accounts as depositories for cash received and disbursed or close the escrow or other third-party accounts used by the assembled land exchange program and deposit the public monies with the U.S. Treasury.

BLM Response: Concur.

The BLM will develop policy and guidance for assembled land exchanges that will require all cash, bonds, or other sureties to be placed under the accounting controls of the BLM's financial accounting processes, thus, conforming with U.S. Treasury requirements and general acceptable accounting principles.

C. Managerial Cost Accounting Standards

Auditor Recommendation: We recommend that the Director, BLM, define the BLM's outputs, accumulate outputs, assign costs to outputs, calculate the unit costs of outputs, and report the information through the BLM's accounting or management information system.

BLM Response: Concur.

As the auditors acknowledged, FY 1999 was a transition year for the BLM in reporting costs. In support of Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, the BLM completed a Bureauwide analysis of all programs, made substantive changes to systems, and completed extensive employee training to launch a new cost management system that was fully implemented effective October 1, 1999. For FY 1999 financial reporting, the BLM took a proactive approach and redefined responsibility segments for the Consolidating Statements of Net Cost of Operations and Changes in Net Position to more closely align these responsibility segments with the BLM's GPRA performance goals.

The BLM's new cost management system implemented for FY 2000 directly aligns costs with responsibility segments through the use of program elements. The new cost system will allow management to retrieve information using the BLM's Management Information System and measure and report the full costs of resources consumed by each responsibility segment and its outputs.

If you have any questions, please contact Dennis Sykes, Deputy Chief Financial Officer, at (303) 236-8857, or Jeannette Davis, Chief, Financial Statements and Reporting Division, at (303) 236-7396.

STATUS OF AUDIT REPORT RECOMMENDATIONS

Findings/Recommendations Reference	Status	Action Required
A.1, B.1, and B.2	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendations will be forwarded to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. The target dates and titles of the officials responsible for implementation should be provided to the Office of Financial Management.
C.1	Implemented.	No further action is required.

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